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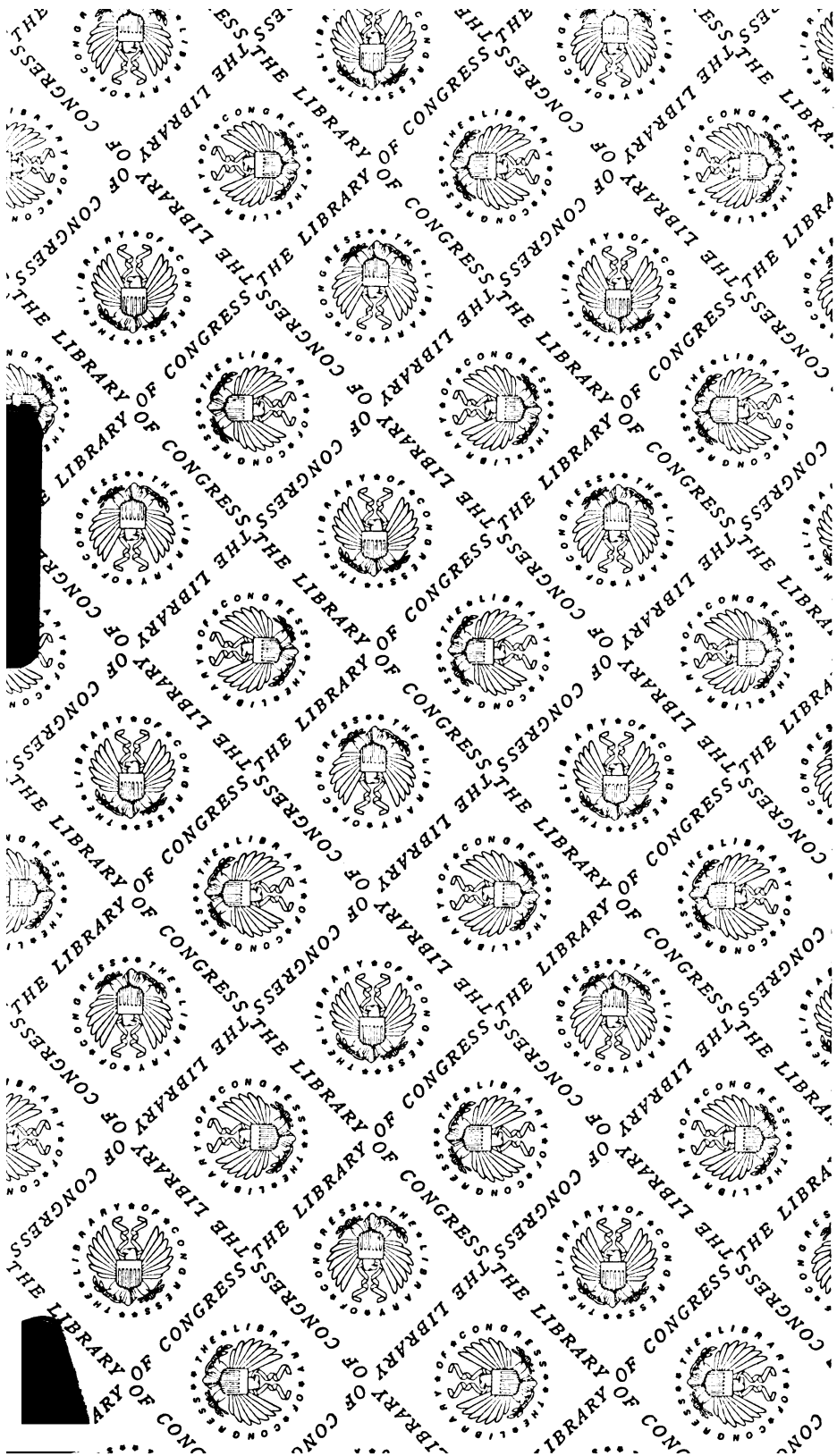
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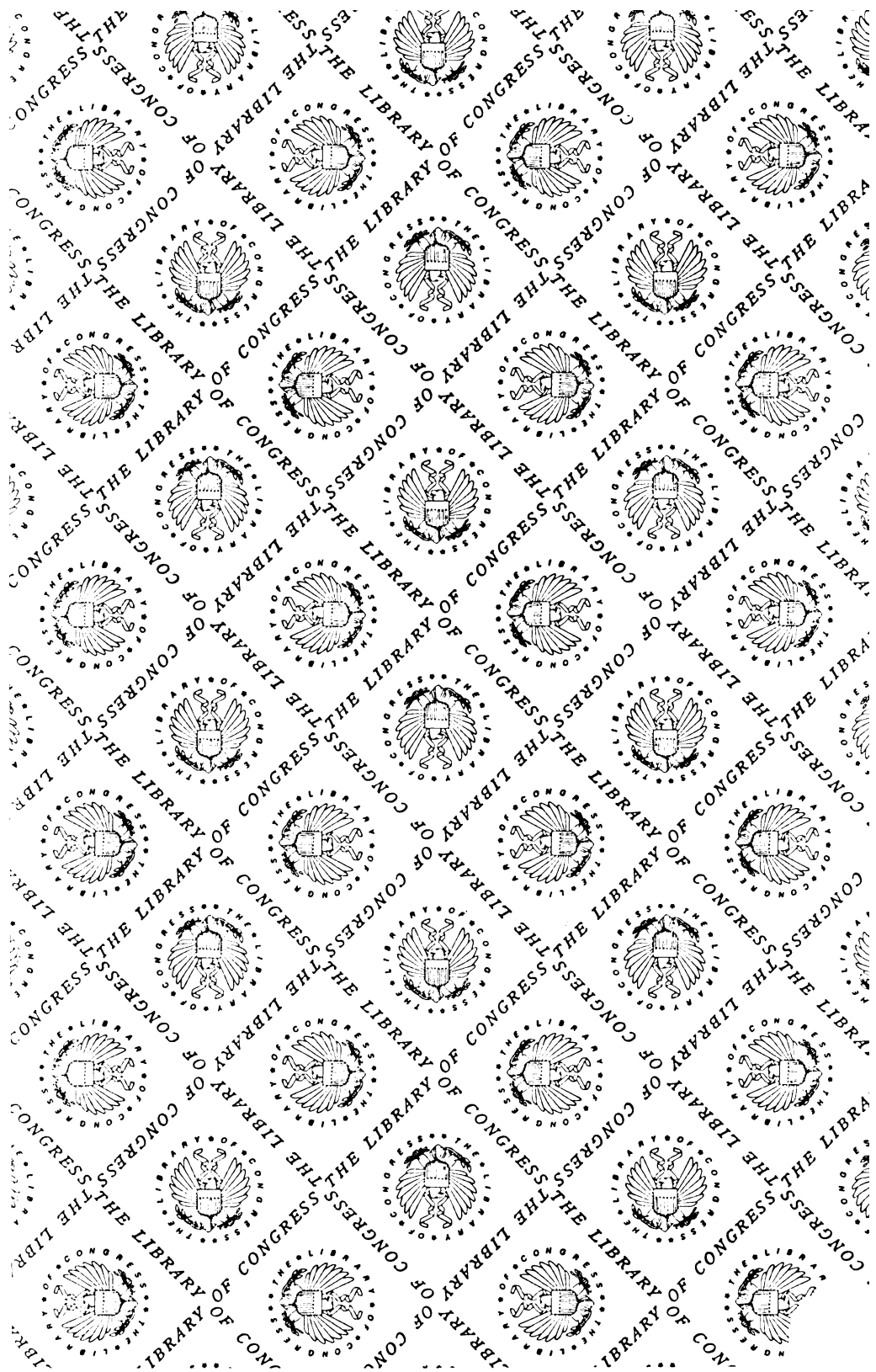
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RAILWAY MAIL PAY—TRUNK LINES

HEARING

U. S. Congress, 1st sess.

BEFORE THE
COMMITTEE ON POST OFFICES AND POST ROADS
UNITED STATES SENATE

SIXTY-FOURTH CONGRESS
FIRST SESSION

ON

BILLS RELATING TO RAILWAY MAIL PAY

MARCH 20, 21, AND 22, 1916

Printed for the use of the Committee on Post Offices and Post Roads,
with illustrations



WASHINGTON
GOVERNMENT PRINTING OFFICE
1916

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RAILWAY MAIL PAY—TRUNK LINES.

MONDAY, MARCH 20, 1916.

UNITED STATES SENATE,
COMMITTEE ON POST OFFICES AND POST ROADS,
Washington, D. C.

The committee met at 10.30 o'clock a. m., pursuant to call, Senator John H. Bankhead presiding.

Present: Senators Bankhead (chairman), Swanson, Smith of South Carolina, Martin, Vardaman, Hardwick, Beckham, Penrose, Townsend, Catron, Weeks, and Sterling.

The committee had under consideration H. R. 10484, making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1917, and for other purposes.

There were present before the committee: Ralph Peters, president Long Island Railroad and chairman committee on railway-mail pay; W. A. Worthington, vice president Southern Pacific Co.; S. C. Scott, vice president's assistant, Pennsylvania lines west of Pittsburgh; A. H. Rowan, assistant to vice president, New York Central lines; H. E. Mack, mail traffic manager, Missouri Pacific Railway; C. A. Searle, manager mail traffic, Rock Island lines; V. J. Bradley, general supervisor of mail traffic, Pennsylvania Railroad; J. P. Lindsay, manager mail traffic, Atchison, Topeka & Santa Fe Railway; W. W. Safford, general mail agent, Seaboard Air Line Railway; H. L. Fairfield, manager mail traffic, Illinois Central Railroad; J. P. Connolly, superintendent mail traffic, Central Railroad of New Jersey and Philadelphia & Reading Railway; J. C. McCahan, jr., superintendent mail traffic, Baltimore & Ohio Railroad; F. Campbell, agent transportation department, Norfolk & Western Railway; R. H. Snead, manager mail traffic, Chesapeake & Ohio Railway; D. C. Pettibone, general agent mail traffic, Northern Pacific Railway; W. S. Baskerville, general agent mail traffic, Great Northern Railway; H. T. Mason, manager mail traffic, St. Louis & San Francisco Railroad; E. L. Duncan, general mail agent, Chicago & Eastern Illinois Railroad; G. B. Lindsay, general agent mail traffic, Wabash Railway; William Stoughton, manager mail traffic, Chicago & North Western Railway; Alexander Grant, general superintendent mail transportation, Southern Railway; John De Witt, superintendent mail traffic, Atlantic Coast Line Railroad; W. B. Thompson, attorney, Chicago, Burlington & Quincy Railroad; R. S. Logan, vice president Grand Trunk Railway; A. W. Anderson, vice

president and general manager Charleston & Western Carolina Railway; T. C. McRea, general attorney, Prescott & Northwestern Railroad; Charles J. Faulkner, counsel committee on railway-mail pay; John N. Drake, secretary Short Line Railroad Association; Bird M. Robinson, president Tennessee Railway and president Short Line Railroad Association of the Southeast; C. M. Oddie, attorney, Nevada Central Railroad and secretary Western Association of Short Line Railroads; D. M. Swobe, vice president McCloud River Railroad and president Western Association of Short Line Railroads; E. B. Pengra, general manager Sumpter Valley Railway; M. W. Cooley, vice president and general manager Uintah Railway; L. G. Cannon, vice president and general manager Nevada Northern Railway; Mr. Ashbaugh, representing Short Line Railroad Association of Southeast; F. B. De Berard, director of research, The Merchants' Association of New York; and H. Sheridan, traffic manager, Baltimore Chamber of Commerce.

The CHAIRMAN. The committee will come to order.

We do not have a quorum yet, but my information is that several members are on the way and will be here very soon, so we will proceed.

The purpose of this committee meeting, gentlemen, is to offer an opportunity to the trunk-line railroads of the country to present their views on what is commonly known as the Moon bill—or rather, that portion of the Moon bill which relates to the subject of railway mail pay. These railroads have their representatives here, and I understand that Mr. Peters will first present his views to the committee.

Senator VARDAMAN. All the railroads are represented, are they not?

The CHAIRMAN. Well, I do not know about that. There are a good many of them here.

Mr. Peters, you may proceed.

STATEMENT OF MR. RALPH PETERS, PRESIDENT OF THE LONG ISLAND RAILROAD, AND CHAIRMAN OF THE RAILWAY MAIL PAY COMMITTEE.

Mr. PETERS. Now, Mr. Chairman, I would like to present my statement and then allow any questions or examining later.

Mr. Chairman and gentlemen of the committee, preliminary to the testimony that will be presented by the gentlemen who will follow me, I beg to say that the railway mail pay committee, of which I am the chairman, speaks in behalf of 263 operating companies, comprising 227,741 miles of railway, and to submit the following list of the companies, with their respective mileage, that are contributing to the support of this committee at this time:

List of railroads supporting the committee on railway mail pay, January 19, 1916.

	Mileage.
Alabama Great Southern R. R.-----	309
Arizona Eastern R. R.-----	378
Arkansas & Louisiana Midland Ry.-----	103
Arkansas Central R. R.-----	46
Atchison, Topeka & Santa Fe Ry-----	6, 197

	Mileage.
Atchison, Topeka & Santa Fe Ry.—coast lines-----	2, 111
Grand Canyon Ry.	
Atchison, Topeka & Santa Fe Ry.—Santa Fe, Prescott & Phoenix lines--	403
Atlantic Coast Line R. R.-----	4, 577
Charleston & Western Carolina Ry.	
Northwestern R. R. of South Carolina.	
Washington & Vandemere R. R.	
Winston-Salem Southbound Ry.	
Baltimore & Ohio R. R.-----	3, 628
Cleveland, Lorain & Wheeling Ry.	
Little Kanawha R. R.	
Ohio & Little Kanawha Ry.	
Baltimore & Ohio Southwestern R. R.-----	985
Bangor & Aroostook R. R.-----	627
Bellefonte Central R. R.-----	26
Bessemer & Lake Erie R. R.-----	209
Boston & Albany R. R.-----	393
Boston & Maine R. R.-----	2, 481
Buffalo, Rochester & Pittsburgh Ry-----	586
Carolina & Northwestern Ry-----	134
Carolina, Clinchfield & Ohio Ry-----	291
Carolina, Clinchfield & Ohio Ry. of South Carolina.	
Cedar Rapids & Iowa City Ry-----	46
Central Indiana Ry-----	127
Central New York Southern R. R.-----	38
Central of Georgia Ry-----	2, 023
Central R. R. Co. of New Jersey-----	642
Central R. R. of Pennsylvania-----	27
Central Vermont Ry-----	586
Chesapeake & Ohio Ry-----	2, 087
Chesapeake & Ohio Ry. of Indiana-----	284
Chicago & Alton R. R.-----	1, 052
Chicago & Eastern Illinois R. R.-----	1, 282
Chicago & North Western Ry-----	8, 423
Pierre, Rapid City & North Western Ry.	
Wyoming & North Western Ry.	
Chicago & Western Indiana R. R.-----	77
Belt Ry. of Chicago.	
Chicago, Burlington & Quincy R. R.-----	9, 366
Chicago Great Western R. R.-----	1, 427
Chicago, Indianapolis & Louisville Ry-----	622
Chicago, Milwaukee & St. Paul Ry-----	10, 287
Chicago, Peoria & St. Louis R. R.-----	255
Chicago, Rock Island & Gulf Ry-----	476
Chicago, Rock Island & Pacific Ry-----	7, 665
Chicago, Terre Haute & Southeastern Ry-----	374
Cincinnati, Hamilton & Dayton Ry-----	622
Cincinnati, New Orleans & Texas Pacific Ry-----	357
Harriman & Northeastern R. R.	
Cincinnati Northern R. R.-----	245
Cleveland, Cincinnati, Chicago & St. Louis Ry-----	2, 381
Coal & Coke Ry-----	199
Colorado Midland Ry-----	338
Colorado, Wyoming & Eastern Ry-----	111
Cornwall & Lebanon R. R.-----	26
Cumberland & Pennsylvania R. R.-----	53
Cumberland Valley R. R.-----	164
Delaware & Hudson Co.-----	880
Delaware, Lackawanna & Western R. R.-----	996
Denver & Rio Grande R. R.-----	2, 856
Rio Grande Southern R. R.	
Denver & Salt Lake R. R.-----	255
Duluth & Iron Range R. R.-----	205
Duluth, Missabe & Northern Ry-----	364
Durham & Southern Ry-----	59

	Mileage
El Paso & Southwestern System-----	1, 027
Alamogordo & Sacramento Mountain Ry.	
Burrs Mountain R. R.	
Dawson Ry.	
El Paso & Northeastern R. R.	
El Paso & Northeastern Ry.	
El Paso & Rock Island Ry.	
El Paso & Southwestern R. R.	
El Paso & Southwestern R. R. of Texas.	
Erie R. R.-----	2, 522
Bath & Hammondsport R. R.	
New Jersey & New York R. R.	
New York, Susquehanna & Western R. R.	
Farmers Grain & Shipping Co.'s R. R.-----	66
Flint River & Northeastern R. R.-----	23
Florida East Coast Ry.-----	745
Fort Smith & Western R. R.-----	259
St. Louis, El Reno & Western Ry.	
Fort Worth & Denver City Ry.-----	711
Wichita Valley Ry.	
Galveston, Houston & Henderson R. R.-----	50
Georgia R. R.-----	307
Georgia Northern Ry.-----	68
Georgia Southern & Florida Ry.-----	395
Grand Rapids & Indiana Ry.-----	575
Grand Trunk Ry.-----	4, 790
Great Northern Ry.-----	8, 102
Greenwich & Johnsonville Ry.-----	31
Gulf & Ship Island R. R.-----	307
Gulf, Colorado & Santa Fe Ry.-----	1, 938
Hocking Valley Ry.-----	351
Huntingdon & Broad Top Mountain R. R.-----	72
Illinois Central R. R.-----	6, 149
Yazoo & Mississippi Valley R. R.	
International & Great Northern R. R.-----	1, 160
Jamestown, Westfield & Northwestern R. R.	39
Kanawha & Michigan Ry.-----	175
Kansas City, Clinton & Springfield Ry.-----	155
Kansas City, Mexico & Orient Ry.-----	737
Kansas City, Mexico & Orient Ry. of Texas.	
Kansas City Southern Ry.-----	865
Arkansas Western Ry.	
Texarkana & Fort Smith Ry.	
Kansas Southwestern Ry.-----	61
Lake Erie & Western R. R.-----	900
Fort Wayne, Cincinnati & Louisville R. R.	
Northern Ohio Ry.	
Las Vegas & Tonopah R. R.-----	198
Bullfrog Goldfield R. R.	
Lehigh & Hudson River Ry.-----	97
Lehigh & New England R. R.-----	296
Lehigh Valley R. R.-----	1, 442
Long Island R. R.-----	399
Louisville & Nashville R. R.-----	5, 037
Lexington & Eastern Ry.	
Macon, Dublin & Savannah R. R.-----	92
Maine Central R. R.-----	1, 347
Michigan Central R. R.-----	1, 876
Michigan East & West Ry.-----	72
Minneapolis & St. Louis R. R.-----	1, 647
Minneapolis, Red Lake & Manitoba Ry.-----	34
Minneapolis, St. Paul & Sault Sainte Marie Ry.-----	4, 229
Mississippi Central R. R.-----	164
Missouri & North Arkansas R. R.-----	365
Missouri, Kansas & Texas Ry.-----	3, 865
Missouri, Kansas & Texas Ry. of Texas.	
Wichita Falls & Northwestern Ry.	

	Mileage.
Missouri Pacific Ry.....	7, 293
St. Louis, Iron Mountain & Southern Ry.	
Mobile & Ohio R. R.....	1, 403
Southern Ry. in Mississippi.	
Montana, Wyoming & Southern R. R.....	31
Montour R. R.....	51
Morgantown & Kingwood R. R.....	48
Munising, Marquette & Southeastern Ry.....	147
Lake Superior & Ishpeming Ry.	
Muscantine North & South Ry.....	54
Nashville, Chattanooga & St. Louis Ry.....	1, 231
Rome R. R.	
Western & Atlantic R. R.	
Natchez, Columbia & Mobile R. R.....	88
New Orleans & Northeastern R. R.....	509
Alabama & Vicksburg Ry.	
Vicksburg, Shreveport & Pacific Ry.	
New Orleans Great Northern R. R.....	285
New Orleans, Mobile & Chicago R. R.....	404
New Orleans, Texas & Mexico R. R.....	467
Beaumont, Sour Lake & Western Ry.	
Orange & Northwestern R. R.	
New York Central R. R.....	5, 714
Fulton Chain Ry.	
Ottawa & New York Ry.	
Raquette Lake Ry.	
West Shore R. R.	
New York, Chicago & St. Louis R. R.....	523
New York, New Haven & Hartford R. R.....	2, 005
New York, Ontario & Western Ry.....	568
Norfolk & Western Ry.....	2, 044
Norfolk & Southern R. R.....	908
Northampton & Bath R. R.....	7
Northern Pacific Ry.....	6, 456
Big Fork & International Falls Ry.	
Minnesota & International Ry.	
Northwestern Pacific R. R.....	507
Oregon Electric Ry.....	154
Oregon Short Line R. R.....	2, 259
Oregon-Washington R. R. & Navigation Co.....	2, 027
Otsego & Herkimer R. R.....	79
Pacific & Idaho Northern Ry.....	90
Panhandle & Santa Fe Ry.....	668
Pennsylvania lines West of Pittsburgh.....	3, 238
Pennsylvania Co.	
Pennsylvania Terminal Ry.	
Pittsburgh, Cincinnati, Chicago & St. Louis Ry.	
Pennsylvania R. R.....	5, 637
Philadelphia, Baltimore & Washington R. R.	
West Jersey & Seashore R. R.	
Philadelphia & Reading Ry.....	1, 608
Atlantic City R. R.	
Gettysburg & Harrisburg Ry.	
Perkiomen R. R.	
Philadelphia, Newton & New York R. R.	
Stony Creek R. R.	
Pittsburgh & Lake Erie R. R.....	225
Pittsburgh, Shawmut & Northern R. R.....	291
Prescott & Northwestern R. R.....	112
Quincy, Omaha & Kansas City R. R.....	251
Iowa & St. Louis Ry.	
Richmond, Fredericksburg & Potomac R. R.....	124
Washington Southern Ry.	
Rutland R. R.....	468
St. Joseph & Grand Island Ry.....	258
St. Louis & Hannibal Ry.....	104

	Mileage.
St. Louis & San Francisco R. R.-----	5, 262
Brownwood, North & South Ry.	
Fort Worth & Rio Grande Ry.	
Paris & Great Northern R. R.	
St. Louis, San Francisco & Texas Ry.	
St. Louis, Brownsville & Mexico Ry-----	548
St. Louis southwestern Ry-----	1, 810
Eastern Texas R. R.	
Pine Bluff Arkansas River Ry.	
St. Louis Southwestern Ry. of Texas.	
San Antonio & Aransas Pass Ry-----	726
San Pedro, Los Angeles & Salt Lake R. R-----	1, 132
Seaboard Air Line Ry-----	3, 489
Southern Pacific Co-----	6, 928
Southern Ry-----	7, 233
Augusta Southern R. R.	
Knoxville & Augusta R. R.	
Knoxville & Bristol Ry.	
Northern Alabama Ry.	
Tennessee & Carolina Southern Ry.	
South Georgia Ry-----	82
Spokane & Inland Empire R. R-----	176
Spokane, Portland & Seattle Ry-----	713
Astoria & Columbia River R. R.	
Staten Island Rapid Transit Ry-----	29
Staten Island Ry.	
Sunset Central Lines-----	3, 656
Galveston, Harrisburg & San Antonio Ry.	
Houston & Shreveport R. R.	
Houston & Texas Central R. R.	
Houston, East & West Texas Ry.	
Iberia & Vermillion R. R.	
Louisiana Western R. R.	
Morgan's Louisiana & Texas R. R.	
Texas & New Orleans R. R.	
Tennessee Central R. R-----	294
Texas & Pacific Ry-----	1, 895
Toledo & Ohio Central Ry-----	525
Zanesville & Western Ry.	
Toledo, Peoria & Western Ry-----	248
Tonopah & Goldfield R. R-----	110
Trinity & Brazos Valley Ry-----	345
Ulster & Delaware R. R-----	129
Union Pacific R. R-----	3, 618
Vandalia R. R-----	910
Virginia & Southwestern Ry-----	240
Virginia Ry-----	503
Wabash, Chester & Western R. R-----	65
Wabash R. R-----	2, 519
Wabash Pittsburgh Terminal Ry-----	86
West Side Belt R. R.	
Wadley Southern Ry-----	89
Western Alleghany R. R-----	51
Western Maryland Ry-----	664
Western Ry. of Alabama-----	225
Atlanta & West Point R. R.	
Wheeling & Lake Erie R. R-----	512
Williamsport & North Branch R. R-----	56
Eagles Mere R. R.	
Wisconsin & Northern R. R-----	86
Total (263 roads)-----	227, 741

Mr. PETERS. On page 18 of the report of the Postmaster General for the year ended June 30, 1915, the Postmaster General, in discussing the failure to pass at the last session of Congress the Post Office ap-

propriation bill, which then as now carried with it the so-called Moon bill as a rider, says: "During the pendency of that legislation and since that time a propaganda against it has been extensively carried on by or in behalf of certain of the railroads," etc., thus implying that the opposition to the "space basis" of pay came from a minority of the carrier lines of the country. Statements of similar import have been made on the floor by Members of the House when the measure was under discussion before that body, as well as by individual Members of the House of Representatives in unofficial discussions of the subject.

Under these circumstances it seems proper, before proceeding with its arguments upon the subject matter of the bill, that the railway mail pay committee shall endeavor to remove from the minds of your honorable committee any misapprehension as to its authority to appear in behalf of the railroads heretofore named.

On May 20, 1915, a meeting of railroad executives, representing approximately 90 per cent of the entire mileage of the country, was held in New York City, and after a discussion of the question of the compensation paid the railroads for carrying the United States mails the following resolutions were unanimously adopted:

Resolved, That the position of the committee on railway mail pay has the approval of the representatives of the railroads present at this meeting, and that the railways of the United States continue to give their united support to the committee in its efforts to secure to the railways adequate compensation for transporting the mails.

Resolved further, That we believe the so-called space basis as proposed in the last Congress is wrong and susceptible in practice of grave injustice to the railroads in denying payment for services rendered.

Resolved further, That we indorse the views of the committee on the superiority of the existing weight basis, amended by annual weighing, payment for apartment cars and payment for or release from side or terminal messenger service.

Resolved further, That the committee on railway mail pay is urged to continue its work on this basis and to ask Congress to enact a law that will give the Interstate Commerce Commission the same jurisdiction over the mail traffic that it now has over all other traffic of the railroads.

Mr. Howard Elliott, president of the New York, New Haven & Hartford Railroad Co., acted as chairman of the conference. Other railroad executives present were:

- A. H. Smith, president New York Central Lines.
- Samuel Rea, president Pennsylvania Railroad system.
- L. E. Johnson, president Norfolk & Western Railway.
- W. H. Truesdale, president Delaware, Lackawanna & Western Railroad.
- George W. Stephens, president Chesapeake & Ohio Railway.
- E. F. Kearney, president Wabash Railroad.
- S. M. Felton, president Chicago Great Western Railroad.
- Walker D. Hines, chairman executive committee Atchison, Topeka & Santa Fe Railway.
- W. L. Park, vice president Illinois Central Railroad.
- N. D. Maher, vice president Norfolk & Western Railway.
- E. H. Coapman, vice president and general manager Southern Railway.
- A. C. Needles, general manager Norfolk & Western Railway.
- G. F. Brownell, vice president Erie Railroad.
- G. E. Evans, vice president Louisville & Nashville Railroad.
- R. S. Logan, vice president Grand Trunk Railway.
- Benjamin Campbell, vice president New York, New Haven & Hartford Railroad.
- J. H. Hustis, president Boston & Maine Railroad.
- R. H. Aishton, vice president Chicago & Northwestern Railway.
- J. A. Middleton, vice president Lehigh Valley Railroad.

G. M. Shriver, second vice president Baltimore & Ohio Railroad.
 W. W. Baldwin, vice president Chicago, Burlington & Quincy Railroad.
 J. M. Gruber, vice president Great Northern Railway.
 A. W. Johnston, general manager New York, Chicago & St. Louis Railroad.
 Robert Frazer, president Bellefonte Central Railroad.
 J. W. Higgins, general manager Missouri Pacific Railway.
 M. J. C. Wrenne, superintendent transportation Nashville, Chattanooga & St. Louis Railway.
 H. E. Huntington, general passenger agent, Buffalo, Rochester & Pittsburgh Railway.
 W. D. Duke, assistant to president Richmond, Fredericksburg & Potomac Railroad.
 Moultrie Hitt, secretary General Managers' Association of the Southeast.
 J. R. Kearney, general superintendent transportation Baltimore & Ohio Railroad and Cincinnati, Hamilton & Dayton Railway.
 P. R. Albright, assistant general manager Atlantic Coast Line Railroad.
 W. P. Stoughton, manager mail traffic Chicago & Northwestern Railway.
 J. C. McCahan, jr., supervisor mail traffic Baltimore & Ohio Railroad and Cincinnati, Hamilton & Dayton Railway.
 H. L. Fairfield, supervisor mail traffic Illinois Central Railroad.
 D. C. Pettibone, general agent mail traffic Northern Pacific Railway.
 J. P. Connolly, supervisor mail traffic Central Railroad of New Jersey.
 C. A. Searle, manager mail traffic Rock Island lines.
 John N. Drake, secretary Short Line Railroad Association.

Representing the committee on railway mail pay the following were in attendance:

Ralph Peters (chairman), president Long Island Railroad.
 W. W. Baldwin, vice president Chicago, Burlington & Quincy Railroad.
 E. J. Pearson, first vice president Texas & Pacific Railway.
 C. F. Daly, vice-president New York Central Lines.
 W. A. Worthington, vice president Southern Pacific Co.
 E. T. Postlethwaite, assistant to president Pennsylvania Railroad.
 S. C. Scott, vice presidents' assistant Pennsylvania lines.
 A. H. Rowan, assistant to vice president New York Central Lines.
 J. P. Lindsay, manager mail traffic Atchison, Topeka & Santa Fe Railway.
 H. E. Mack, general manager Mail traffic Missouri Pacific Railway.
 V. J. Bradley, general supervisor mail traffic Pennsylvania Railroad.
 W. W. Safford, general mail agent Seaboard Air Line Railway.

In order to set at rest any further doubt that there may be upon this point, I desire to place on record the following letter which I have been specifically authorized to sign on behalf of the officers named:

Hon. JOHN H. BANKHEAD,

Chairman Committee on Post Office and Post Roads,

United States Senate, Washington, D. C.

DEAR SIR: In order to make clear to your committee the attitude of the railroads toward the pending legislation relative to railway-mail pay, the undersigned chief executive officers of the railroads desire to express to you their sincere conviction that the adoption of a space basis for pay which completely ignores the weight of mails actually carried would prove unjust, discriminatory and even confiscatory.

Before inaugurating the system proposed in the rider to the Post Office appropriation bill with its uncertainties, inequalities, and discriminations, we respectfully suggest that Congress direct the Interstate Commerce Commission to investigate the subject and report its conclusions.

(Signed:)

Arizona Eastern Railroad, Epes Randolph, president.
 Atlanta & West Point Railroad, C. A. Wickersham, president and general manager.
 Atchison, Topeka & Santa Fe Railway, E. P. Ripley, president.
 Atlantic Coast Line Railroad, J. R. Kenly, president.
 Baltimore & Ohio Railroad, Daniel Willard, president.
 Bangor & Aroostock Railroad, Percy R. Todd, president.

Boston & Maine Railroad, J. H. Hustis, president.
 Buffalo, Rochester & Pittsburgh Railroad, William T. Noonan, president.
 Central Indiana Railway, J. Q. Van Winkle, president.
 Central of Georgia Railway, W. A. Winburn, president.
 Central Railroad of New Jersey, W. G. Besler, president and general
 manager.
 Central Vermont Railway, E. C. Smith, president.
 Chesapeake & Ohio Railway, George W. Stevens, president.
 Chicago & Alton Railroad, W. B. Bierd, president.
 Chicago & Eastern Illinois Railroad, W. J. Jackson, receiver.
 Chicago & North Western Railway, W. A. Gardner, president.
 Chicago, Burlington & Quincy Railroad, Hale Holden, president.
 Chicago Great Western Railroad, S. M. Felton, president.
 Chicago, Indianapolis & Louisville Railway, H. R. Kurrie, president.
 Chicago, Milwaukee & St. Paul Railway, A. J. Earling, president.
 Chicago, Rock Island & Pacific Railway, J. E. Gorman, chief executive
 officer.
 Cumberland Valley Railroad, M. C. Kennedy, president.
 Delaware, Lackawanna & Western Railroad, W. H. Truesdale, president.
 Delaware & Hudson Co., L. F. Loree, president.
 El Paso & Southwestern system, T. M. Schumacher, vice president.
 Erie Railroad, F. D. Underwood, president.
 Grand Trunk Railway system, E. J. Chamberlin, president.
 Grand Rapids & Indiana Railway, J. H. P. Hughart, president.
 Illinois Central Railroad, C. H. Markham, president.
 Kansas City Southern Railway, J. A. Edson, president.
 Lehigh Valley Railroad, E. B. Thomas, president.
 Louisville & Nashville Railroad, M. H. Smith, president.
 Maine Central Railroad, Morris McDonald, president.
 Minneapolis & St. Louis Railway, C. W. Huntington, vice president.
 • Minneapolis, St. Paul & Sault Ste. Marie Railway, E. Pennington, president.
 Missouri, Kansas & Texas Railway, C. E. Schaff, receiver.
 Missouri Pacific Railway, B. F. Bush, receiver.
 Nashville, Chattanooga & St. Louis Railway, J. H. Peyton, president.
 New York Central lines, A. H. Smith, president.
 New York, Chicago & St. Louis Railway, W. H. Canniff, president.
 New York, New Haven & Hartford Railroad, Howard Elliott, chairman and
 president.
 New York, Ontario & Western Railway, John B. Kerr, president.
 Norfolk & Western Railway, L. E. Johnson, president.
 Northern Pacific Railway, J. M. Hannaford, president.
 Nevada-California-Oregon Railway, Charles Moran, president.
 Oregon-Washington Railroad & Navigation Co., J. D. Farrell, president.
 Pennsylvania Railroad Co., Samuel Rea, president.
 Pennsylvania lines west of Pittsburgh, J. J. Turner, first vice president.
 Philadelphia & Reading Railway, A. T. Dice, president.
 Richmond, Fredericksburg & Potomac Railroad, W. H. White, president.
 Rutland Railroad, A. H. Smith, president.
 St. Louis & San Francisco Railroad, W. C. Nixon, receiver.
 St. Louis Southwestern Railway, F. H. Britton, president.
 Seaboard Air Line Railway, W. J. Harahan, president.
 Southern Pacific Co., William Sproule, president.
 Sunset-Central Lines, W. B. Scott, president.
 Texas & Pacific Railway, E. J. Pearson, first vice president.
 Toledo, Peoria & Western Railway, E. N. Armstrong, president.
 Ulster & Delaware Railroad, Edw. Coykendall, president.
 Union Pacific Railroad, A. L. Mohler, president.
 Virginian Railway, Raymond Dupuy, president.
 Wabash Railroad, E. F. Kearney, receiver.
 Western Maryland Railway, C. R. Gray, president.
 Western Railway of Alabama, C. A. Wickersham, president and general
 manager.

Mr. PETERS. Your committee, I believe, will also hear the representatives of the Short Line Railroad Association, the Short Line Railroad Association of the Southeast, and the Western Association of Short Line Railroads. These gentlemen will, of course, present their

own cases, respectively, and I only mention them here for the purpose of saying that, based upon their testimony before the Committee on the Post Office and Post Roads in the House of Representatives, there is no division of opinion among the railroads as to the serious results that are almost sure to follow should the bill under consideration be enacted into a law.

You know that this committee, as representatives of the railroads of the country, has consistently and earnestly opposed any plan for paying the railroads for handling the mails on the basis of space authorized, as represented by a car, half car, or quarter car, or linear feet provided for closed-pouch mail.

The statement has been made by some members of the joint congressional commission that the Railroad Committee did not strenuously oppose the space basis when the matter was being considered by that commission; that the opposition of the railroads seemed to be more a dread of the new basis being uncertain and indefinite, and, possibly, of giving too much of an advantage to the Post Office Department. We regret that our efforts to explain our objections to the space basis were so ineffective upon the minds of the gentlemen who composed the joint congressional commission, as well as upon the Members of Congress. We have had no difficulty in showing and convincing the railroad executives and representatives throughout the country of the absolute wrong that would be done to them by the enactment of a law that would place the compensation for any railroad service upon a space basis. We have had no difficulty, in convincing the public mind, as represented by the press, nor have we had any difficulty in having our arguments and statements analyzed by thoughtful and consistent experts in various commercial and civic organizations, who have reached the same conclusion as reached by our committee that it would be a disastrous thing for the entire merchandise rate structure of the country to have a proposition such as is proposed by section 16 on this appropriation bill enacted into law. We sincerely hope that we can convince you gentlemen that there is a grave doubt as to the propriety of attempting to make space a basis of pay for transportation services.

We now appear before you once more with the earnest plea that you will listen to our arguments and will understand that all railroad executives and traffic men, that all students of traffic and of rates, are practically with us in our contention that space, or car-mile, can not be made an accurate, fair, universal, or compensatory basis for the service that the railroads perform in handling the mails of these United States.

As stated in the hearings, the rate of pay must be universal; in other words, every railroad performing a mail service must be treated on a like basis. The rate of postage is universal; the compensation for handling the mails must likewise be universal. This fact was recognized by those responsible for the law of 1873, when they adopted and fixed certain arbitrary rates per mile of route which should be paid for certain weight of mail carried daily over the full length of the route. This meant a graduated scale, with higher rates per hundred when the quantity is small, the rate being decreased as the quantity increases. The aggregate pay depended upon the total length of the route. The scales ascertained the daily weight, and the computation fixed the daily average. The chain

measured the route and fixed the number of miles by which the compensation was multiplied to determine the aggregate pay. There was no guesswork about it, except in the arbitrary, fundamental allowance per mile of road. Those arbitraries have been changed, being reduced from time to time by act of Congress; they are too low for the very short lines handling a small daily weight of mail. They have been proven to be fairly compensatory to the railroads provided the daily average weight of mail was ascertained more frequently than once in four years; they have also been proven as being absolutely reasonable to the Government. The pay of the individual roads depended upon the service performed; that is, on the average daily weight of mail transported over the entire route by each road. That is what I mean by a universal basis of pay, that all roads are treated alike, depending upon the amount of service they perform. With an annual weighing, this could well be called a scientific, simple, and reasonable basis of pay.

On the other hand, an average car-mile rate can never be made compensatory; it can not be strictly and rigidly administered; it is indefinite, depending absolutely upon the judgment of the official that authorizes the rate; there is no elasticity about it. To be economically administered, it means a curtailment of service, a consolidation of mails into the authorized space; it means going backward instead of forward in the development of the great postal service.

The average car-mile rate, as proposed, is supposed to be ascertained from the car-mile earnings in passenger service as reported by the Interstate Commerce Commission. Such an average rate includes the roads where the average car-mile earnings are below 20 cents per mile. It also includes all roads where the passenger car-mile earnings are over 30 cents. The average car-mile rate would not compensate the latter roads; it would more than compensate the former.

Again, a compensatory car-mile rate must be one that will cover the cost of the service and a reasonable return upon the investment in the property. Who can ascertain this in a way that would make a compensatory car-mile rate that would be a universal rate, fair to every railroad in the country?

Again, how could such a rate be made compensatory when that proposed in the "rider" is figured on costs existing before the law is changed? The law put into effect would immediately change the conditions so completely that the costs would immediately be changed, because under the law it is proposed to double or treble the load in the car and pay the average car-mile rate for it. That average car-mile rate under such conditions would not represent cost plus interest on the investment.

It is absurd to claim that a basis such as is proposed in this rider could be made compensatory. However, this is a detail that will be fully treated by other representatives of our committee. I merely refer to this because a number of those who favored the new basis of pay proposed in the rider in the debate in the House claimed that the railroads were unable to answer, or declined to answer, what rate per car-mile would be a compensatory rate.

You can not make such a basis of pay as a car-mile rate a compensatory rate unless you include costs plus a return upon the property. The conditions of cost are changing month to month, year to year,

by the advance in wages, the advance in cost of materials, in the cost of mail cars, and in the cost of operation generally, due to regulatory laws, as well as to increased burdens of taxation.

WHAT ARE THE RAILROADS GOING TO GET?

Here are some of the promises. On February 8, 1916, Judge Moon said (see p. 2591, Cong. Rec.) :

What are they (the railroads) getting under the proposition that we propose to you in this bill to pass from the weight to the space system? Nearly \$64,000,000.

On February 11, 1916, Mr. Madden (see p. 2732, Cong. Rec.) figures out that the total pay to the railroads under H. R. 10484 will be \$69,251,090, against \$63,000,000 under the present plan, or a difference of \$6,000,000.

This looks pretty good, but there seems to be a pretty strong string attached.

Mr. Moon, continuing the quotation above referred to, on February 8, 1916, said:

Is it possible that they (the railroads) could complain when we are giving them now, under the provisions of the new bill, nearly \$4,000,000 more than they have ever gotten under any bill?

And at the bottom of the same page he continues:

But, you may ask me, if it is costing more by three or four million dollars, in the first place, to go to the space basis than to remain on the weight basis, why should we make the change? My answer is * * * your department can handle the cars in which they pay for the space and can so adjust the loading and unloading and the transportation as to recoup within a year or two every dollar that is lost by the change in the basis of compensation from weight to space.

Further, on the same day (p. 2592, Cong. Rec.) :

The department estimates that in a few years by the control and ownership of this space your Parcel Post System can be extended and prices probably reduced in the first and second zones, etc.

In discussing a similar bill before the last Congress on December 19, 1914 (see p. 432, Cong. Rec.), Mr. Moon said:

* * * It is entirely new law, and it does not show a saving on its face, and can not do it, but only shows an administrative proposition of saving. The saving will occur, as the department thinks, in the handling of the mail. In other words, you have changed from the quadrennial weighing of the mails on a weight basis, on which the pay is to be computed, to the space provision, and you will have enough space under the contract to carry all your parcel post probably without any additional compensation and save many million dollars annually. That is their theory.

On August 6 of the same year (see p. 14565, Cong. Rec., 1914) Mr. Moon says:

Adopt this new plan and you will hold the service down practically to the same figure every year.

On February 11, 1916, Congressman Cox (see p. 2740, Cong. Rec.) says:

To me this extra \$5,000,000 or \$6,000,000, which I am sure we are going to give them, does not sound well; but in order to get away from this old, ancient, antiquated, worn-out system of handling the mails of the United States, I am willing to vote for it, and I am willing to give it my most earnest and loyal support.

Of course, Mr. Cox's mind was greatly relieved by the statement made on February 17, 1916, first, by Judge Moon (see p. 3098, Cong. Rec.):

We have given them (the railroads) the highest rate in the bill. Well, what is the effect of it? It gives them in dollars and cents about \$4,000,000, or four and one-half millions—and some insist it is more—more money for carrying the mails than they have ever yet received on the weight basis. The difference we thought was worth the amount.

And, second, by Congressman Lloyd (see p. 3102, Cong. Rec.):

My candid judgment is that under this bill, instead of it costing \$4,000,000 extra to carry out the provisions of it, when it is economically administered it will not cost the Government one cent more than the present system. The truth about it is that the compensation that will be received by the railroad companies in the next year, if this bill is adopted, in my judgment, will be practically the same compensation that they receive at the present time.

Let me read you what Congressman Lloyd would have his railroad friends believe that he really thinks about this suggestion. President Felton, of the Chicago Great Western Railroad, wrote to Mr. Lloyd and asked him to oppose the space basis of pay, and received the following letter:

WASHINGTON, D. C., February 5, 1916.

S. M. FELTON,

President Chicago Great Western Railroad, Chicago, Ill.

MY DEAR SIR: I am in receipt of your telegram with reference to the proposed change in railway mail pay.

I have given this matter very careful attention and feel sure the railroads are unduly alarmed about the situation. I agree with you that this legislation should not be placed as a rider on the appropriation bill. I am not in sympathy with the idea of securing legislation in that way, and yet some of the most important legislation enacted has been secured in that manner.

As to your second reason, that some of these provisions are impractical, I am fully convinced that the principle involved will work beneficially both to the Government and to the railroads, and while it may be true that there are some provisions that need material change, yet if the legislation should be enacted these will in a short time become apparent and will be remedied later by legislation.

As to your third reason that the railroad companies may be compelled to perform a freight service on passenger trains, I regret to say that the present system permits the same abuse. Neither the weight system nor the space system, as the law now exists or as it is proposed, will prevent this condition. It is brought about by reason of the parcel-post rates and the increase of the size of packages which may be carried as mail under the parcel-post law. My own judgment is that if no parcel was permitted to be carried as mail which weighs over 11 pounds, as was intended by the lawmaking body, you would have no trouble at this point.

I am greatly interested in this question; have given it more attention, perhaps, than any other man in the House of Representatives, and while the bill proposed is defective in some particulars, yet, I believe on the whole it will not prove injurious to the railroads; in fact, nearly all agree that it will result in increased pay to the railroad companies for the service rendered.

Sincerely, yours,

JAMES T. LLOYD.

In response to that letter Mr. Felton sent the following, asking an explanation of what he meant:

CHICAGO GREAT WESTERN RAILROAD CO.,
Chicago, February 18, 1916.

Hon. JAMES T. LLOYD,

*Chairman Committee on Accounts,
House of Representatives, Washington, D. C.*

MY DEAR SIR: I have your letter of February 5 in regard to the appropriation bill rider with respect to the carriage of mails.

I am glad to know that you appreciate the position of the railroads, but can not understand how you, appreciating their position, can place your judgment against that of all the expert railroad men of the United States and favor a space basis as against a weight basis. The railroads unanimously oppose the space basis as being an improper one for the making of rates, and one which would surely result in a great reduction of pay, which is already too small, and a great increase in service performed, which, for the pay received, is already too excessive.

I earnestly urge you to look into this matter further and to come out in favor of an annual weighing of mail, as the basis of compensation for the carriers. Your bill providing for an annual weighing would give immediate relief to the railroads and would be greatly appreciated by all who seek to have justice done. If you would couple with your bill a provision for investigation by the Interstate Commerce Commission of the whole subject, especially in relation to the effect on merchandise rates, it would be of great value to the country.

Yours, very truly,

S. M. FELTON.

And this reply was received:

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ACCOUNTS,
Washington, D. C., February 23, 1916.

Mr. S. M. FELTON,

*President Chicago Great Western Railroad Co.,
Chicago, Ill.*

MY DEAR SIR: I am in receipt of your letter of February 18 with reference to the pending legislation asking the compensation to the railroads for carrying the mails.

Yes, I am disposed to support the space basis in preference to the existing law. I believe it would be better for both the railroad companies and the people. I have given this matter much consideration, as much as any other individual connected with Congress, and feel sure that something ought to be done to change existing conditions.

You suggest that the annual weighing in connection with the existing law would be preferable to the proposed change. At present we can not secure the passage of the annual weighing bill. The Post Office Department claims that in the fiscal year which ended July 30, 1915, 1,800,000,000 pounds of parcel-post matter was handled; in other words, that about one-half the mail was of the fourth class. I have made a computation which may be interesting to you, based upon their report.

The railroad companies received in 1912, the year before the new parcel-post law went into effect, \$51,700,000. In 1913, \$51,960,000; one-half of that year was under the new parcel-post system. In 1914 the railroad companies received \$56,155,000. The fiscal year 1915, \$59,676,000.

The Post Office Department estimates that the transportation by railroad cost the Government 2.08 cents per pound on parcel matter. The estimate of the Post Office Department for the six months period between January 1 and June 30, in 1913, is that 400,000,000 pounds of parcel-post matter was transported. In 1914, 1,200,000,000 pounds, and in 1915 1,600,000,000 pounds.

If there was no increase in the mail for the years 1913, 1914, and 1915 in other classes of mail matter, the transportation companies would be entitled to the 2 cents per pound on the extra amount of parcel matter handled in those years, and for the fiscal year 1913 it would have amounted to \$8,000,000, \$18,000,000 in 1914, and \$24,000,000 in 1915. This is based upon the statement which the Post Office Department gives, that one-fourth of the transportation in expense goes to other transportation companies than the railroads. Now, if you add to the amount received by the railroads in 1912 the amount added by parcel post in 1913, the railroad companies should have received \$57,691,000; in 1914, \$69,691,000; and 1915, \$75,691,000.

If these statements are anything like correct, then the railroad companies should have received, in addition to the compensation which they did receive for the year 1913, \$5,292,000; in 1914, \$13,500,000, and in 1915, \$16,000,000.

If these estimates are correct, then the railroad companies have suffered immensely on account of the Parcel Post System, and I believe that the space basis will result at least in securing to the railroad companies compensation for all the mail which the railroad companies handle, and the rates proposed

under the space system are about the same as the passenger rates per car, with a deduction of 10 per cent. There are some charges to passenger service which do not belong to mail service, and these by the Bourne commission and in the Moon bill, which has the Bourne rates, are estimated at 10 per cent.

The representatives of the railroad companies here who appeared before the Bourne commission, of which I was a member, and who appeared before the Post Office Committee of both House and Senate, have complained most of what may happen in administration under the space system. They fear that the Post Office Department will do what it may to cut down compensation to the railroad companies, and that they will not pay for the amount of space which ought to be authorized. In other words, that the Post Office Department will authorize less space than is needed, but under the proposed law the railroad companies will not be required to use any space that is not authorized by the Government and will receive pay for all the space which the Government does authorize.

This subject is a very delicate one; difficult of ascertainment, and I am safe in saying that I have given the matter as much attention as almost anyone connected with either the Congress or the railroad companies. If the railroad companies could secure an annual weighing, pay for apartment cars, and be relieved of side and terminal service, it would to a very great extent relieve them, but I am frank in saying to you that in my judgment it is impossible to accomplish this result at the present time.

Sincerely, yours,

JAMES T. LLOYD.

You will see from this that Congressman Lloyd, who served on the commission, admits that the railroad pay in the year 1915, if based on weight, should have been \$16,000,000 more than it was, or that the total appropriation to the railroads would have been \$75,691,000. Yet in his speech before Congress (quoted above) the little \$4,000,000 increase proposed under the rider has disappeared under the economical and efficient management of the department, which slows down the mail movement, doubles the load in the cars, and pays what it pleases and how it pleases, and tells the railroads to take what is given or pay a fine of \$5,000 a day.

In this connection let me also call your attention to the statement made by Congressman Finley on August 7, 1914:

The railroads claim that they are now carrying the mails at a loss, while under the new bill, in view of the fact that many millions a year will be saved by the Government, their loss will be greater. It is true that the Government will save many millions a year under the proposed plan, probably more than \$4,000,000 the first year, and thereafter a larger sum each year, based upon the growth of the Postal Service. That is one of the objects of the bill. It is also true, however, that these millions will not be taken out of the railroads' pocket, as they would have you believe, but will be saved by reason of economies and reforms only possible under a conduct of a railway mail service on a basis of pay for space instead of weight.

Now, it seems to me that any unprejudiced and judicial review of the expressions of these gentlemen must lead to the inevitable conclusion that in their minds the proposed space basis of pay is not going to give the railroad companies any additional compensation, and we do not believe that the fact that the space basis or any other plan of payment that may be adopted by Congress will give the railroad companies more or less than they now receive, while it may be interesting to the members of this committee, either from one standpoint or the other, ought or will have anything to do with your decision. We are here as the advocates of two propositions:

(1) That the carriers should be paid on a fair basis and at a fair rate for what they do and nothing more; and

(2) That Congress should satisfy itself beyond all peradventure that any new and untried method of pay, such as the space basis, will not encourage—nay force—the Post Office Department into activities that are not proper functions of the Postal Service.

As to the first proposition, I want to call your attention to two outstanding facts that can not be controverted:

(a) Four Government commissions have since 1873 investigated the subject of railway mail pay, and not one of these commissions has ever rendered an opinion that the railroads were overpaid for the work they were doing for the Government; the last (the Bourne Commission) in its report admitted by inference, if not by direct statement, that on the basis of the pay and the service rendered in the year 1909, there was a substantial underpayment, and it was clearly the purpose and intent of the bill that that commission offered to pay the railroad companies approximately \$5,000,000 more than they were receiving at the time the report was made.

(b) And it is beyond dispute that there has been a very large increase in the mail tonnage and the service required of the railroad companies since 1909, the year upon which the Bourne Commission's report was based.

If these statements be true, and I do not think they can be successfully controverted, then there must be something inherently wrong in any proposed basis of pay that, as Judge Moon says, "will hold the service down practically to the same figure every year."

As an illustration of the enormous growth of the parcel post, a statement of parcel-post mail handled at all offices from October 1 to 15, 1913, inclosed with a letter from Mr. Daniel C. Roper, Acting Postmaster General, to Senator La Follette, under date of February 25, 1914 (see p. 4243, Cong. Rec., 1914), gives the "total weight of parcels mailed" as 30,371,437 pounds, or at the rate of 728,914,488 pounds per annum. Similar figures for the same period in 1915, two years later, given in a letter dated February 10, 1916, from the Postmaster General to Congressman Rouse (see p. 3300, Cong. Rec., 1916), show that the weight for the year aggregated 1,640,943,240 pounds, or an increase of over 123 per cent.

Let me try to illustrate what space as a basis for the payment for mail means by a drawing a parallel with the passenger service. The average passenger coach on roads having \$1,000,000 or more operating revenues will seat about 66 passengers. For every mile that coach run in 1915 it carried an average of 15 passengers, at a little less than 2 cents per mile, and earned gross 29.77 cents per mile run. In the eastern district the average earnings per coach-mile were 31.83 cents, in the western district 28.89 cents, and in the southern district 26.72 cents. On some railroads in densely populated sections the earnings run up as high as 40 cents per car-mile, and, as the country becomes more thickly settled, the railroads receive an increasing average return from this coach service, because every additional passenger pays the additional fare at the average rate, so that for all increased service rendered the public in this way the railroads will obtain a legitimate increase in compensation. Suppose Congress was to pass a law that passenger cars should be rented for an average rate of "not exceeding" 30 cents per car-mile, the immediate result would be that a company

would be incorporated for the sole purpose of leasing all the passenger cars in the country, so that it might for the future enjoy all the increment from the increasing traffic. What happens? The earnings of the railroads from their coach service would be crystallized right at that rate per car-mile, and no matter how many passengers they might handle per car, how much greater service they might render the public, or to what extent their expenses might be increased, all they could get would be "not exceeding" 30 cents per car-mile. Of course, to make the parallel complete, Congress would have to provide that the carriers must perform the service under a heavy penalty.

This is just what would happen with the mail cars under a space basis of payment. The rate per car-mile becomes a permanent, fixed, and immovable factor that will not vary with the load or the service, and the carriers will never be permitted to benefit by or participate in the increased loading of cars which it is the definite and undisguised purpose of the Post Office Department officials to put into effect, with a view to decreasing the cost of transportation to the department.

However, the plain fact is that the rates specified in this bill, to use a homely expression, "cut no ice." They might as well be 30 cents a car-mile or 40 cents a car-mile as 20 cents or 21 cents. The unlimited discretion allowed the Postmaster General and the arbitrary power given him to enforce service from the railroad companies, make the rates utterly ineffective if he is disposed to exert the powers given him by the bill. It is true that the words "not exceeding" are in the existing law and have been there for many years, but H. R. 10484 gives them an entirely new significance. Heretofore the railroad companies have had the "legal right," at least, to say whether or not they would carry the mails; in other words, the Post Office Department and the carriers have borne to one another a contractional relation. Put aside the fact that the carriers' rights to refuse to make a contract were nominal because of the influence of public opinion, the legal right still remained. Under this bill the carriers are deprived of such rights and are forced under a heavy penalty to perform service at any rates and under any conditions that the Postmaster General may demand; in fact, it would almost seem that the authors of this law felt that its provisions were so unreasonable, so unjust and so un-American that the railroads could only be induced to submit to them by actual force in the way of a fine so heavy that they could not afford to test their rights.

I am only going to refer briefly to a subject of vital importance in connection with this legislation, because it will be dealt with more fully by another member of our committee; that is, the question of the opportunity afforded by this measure for the Post Office Department to invade the freight traffic of the carriers, and, in this connection, I am going to quote the following from a statement by Mr. Madden on the floor of the House (see Cong. Rec., p. 3649, Feb. 26, 1916):

The parcel-post law was enacted to facilitate the exchange of the commodities of the people of the country and the people of the cities at the least possible expense, and I do not know of any case where it has been found necessary to send parcels of more than 50 pounds in weight. There have been cases of great injustice done, however, in the Western States, where whole carloads of coal

have been shipped in 48-pound packages; whole carloads of ore, carloads of potatoes, carloads of cement, carloads of brick, sand, and all kinds of things put in the 48-pound packages. Now, that never was the intention. It was never intended when the parcel-post law was enacted that any such condition as that would arise.

Please note that Mr. Madden calls attention to great injustices done in the Western States through the shipment of carloads of various commodities done up in 48-pound packages and yet almost in the same breath he says:

With the weight fixed at 50 pounds I stake my reputation, after a careful study of this legislation to which I have given three years of arduous work, that no harm will be done to the railroads; that none of their freight will be diverted to the storage car.

Great stress has been laid upon the improbability of loading storage cars to a sufficient extent so that they would compete with the freight service of the carriers. The fact seems to have been entirely overlooked that the storage car is 60 feet in length and has 50 per cent greater cubic capacity than the average box car. In answer to an inquiry made of the general freight agent of one of the principal railroads, he replies, "It appears to me that about everything that is shown in our classification rates as first, second, and third class might readily be loaded to the extent of 10 tons in a 60-foot car." This being the fact, the Post Office Department would be in position to offer to shippers of first, second, and third class freight the following distinct advantages over those given by the carriers themselves—

First. With a lading of 10 tons, the rate per ton-mile will be materially lower than the rates fixed by the freight tariffs of the carriers.

Second. The shipper will have the opportunity to ship freight in mail cars without classification.

Third. The shipments will be moved by passenger-train service instead of freight-train service.

Fourth. The shipments will receive free-delivery service at destination.

Absolutely all that is necessary to make these privileges available to the shipper is a readjustment of his packages to conform to the weight and dimensions of the parcel post, and a readjustment of the parcel-post rates, which under the space basis, is in contemplation by the department, as shown by the statement of Congressman Moon on page 2592 of the Congressional Record already quoted.

The weight basis under the present law makes for high-class service. It costs the department now no more to dispatch mail fifty times, a hundred times, or two hundred times a day between New York and Philadelphia than it would if all the mail were carried on 10 trains. On the contrary, the space basis of pay, if it is economically administered, means concentrated loading and infrequent dispatches. Judge Moon, in speaking of the short lines, on February 8, 1916, page 2591, Congressional Record, clearly forecasts the policy to be adopted when he says:

What do we say to those little roads that will make frequent trips per day under the new law, Government paying for space contracted for, going and coming, whether the car is loaded or not loaded, the Government paying for the whole space? To answer in the inverse order, where you are making such frequent trips as to earn more than you are entitled to, we will limit the number of your trips through Executive order under the contracts so as to give you just compensation.

Finally, gentlemen of the committee, the adoption of a space basis as a method of payment for transportation is, in my opinion, a leap in the dark. No living man can foretell the outcome or place a limit upon the complications that it will produce, and I want again to urge upon the committee the propriety of securing a recommendation from the Interstate Commerce Commission—a body that is probably better qualified than any other in the country to recognize and appraise the competitive conditions that will be created by this legislation—before action is taken. It will be too late to go to them after the law has been passed. We all know that it is very difficult to retrace our steps after such radical changes have taken place, and that if the law once goes on the statute book it will be years before relief is afforded, if ever. The carriers feel that if an official expression came from the Interstate Commerce Commission as to what rates would be fair and compensatory to the railroads for the carriage of the mails, it would be accepted by the people, by the railroads, and by Congress itself, as a happy solution, and that in this way the vexed question might be settled with some degree of permanence.

As a solution of this question we submit herewith a suggestion as to a bill that will readjust the pay by providing for an annual weighing, pay for space in apartment cars, relief from the side and terminal messenger service, and for an investigation by the Interstate Commerce Commission, with its recommendation to Congress as a result of such investigation, as to whether the pay shall be a continuance of the weight basis, or shall be a combination of weight and space, or by a straight space basis. The annual weighing is proposed as a necessary part of the investigation by the commission. During the annual weighing, taken simultaneously throughout the country at a minimum cost by the cooperation of the railroad employees, the space occupied by the mails should be ascertained, also an account taken of all other kinds of service performed by the railroads in connection with the handling of the mails, including the furnishing of station rooms, of station labor, of free transportation for the postal clerks, inspectors, and officers of the Post Office Department, and for anything else that is done as a part of the mail service. We ask that this bill be given careful consideration; that it shall be introduced by some member of your honorable committee not as a rider on an appropriation bill but as a separate and distinct piece of legislation that will stand on its merits.

A BILL To readjust railway mail pay based on an annual weighing of mail and on space occupied in mail apartment cars, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That from and after the passage of this act the Postmaster General shall not less frequently than once in every year cause the mails to be weighed simultaneously on all railroad mail routes for a period of thirty successive working days, and when such annual weighing is completed he shall readjust the annual compensation of railway mail pay on the basis of the average daily weight of all the mail carried on each route as ascertained by the actual weight taken, as hereinbefore provided, which readjustment shall be effective on and after the first of July following the annual weighing.

Sec. 2. Six months after the passage of this act the Postmaster General shall only require a railroad mail carrier to provide for the carriage of the mails between any of its stations and a post office or postal station when such post office or postal station is located in the railroad depot or station of such

carrier: *Provided*, That the Postmaster General may contract with railroad companies or with other persons for the performance of such side or messenger service not embraced in this section at the lowest rates obtainable. Six months after the passage of this act pay shall be allowed by the Postmaster General for all space in mail compartments in cars operated under orders of the Postmaster General used for railway post-office purposes, at the same rate per linear foot of car length as that now authorized by law to be paid for space in full railway post-office cars sixty feet in length.

SEC. 3. The Interstate Commerce Commission is directed to make a full investigation of the justice and reasonableness of existing rates for railway mail pay, and of the practices and regulations of the Post Office Department which affect the justice or reasonableness of the rates for all the service rendered by railroads in carrying mail, making specific findings as to whether the present rates should be increased or decreased, and if either, how much. Notice shall be given by the commission of its action under this section to the Postmaster General and to the railroads that may be affected, and after hearing had of the parties interested, in accordance with its rules of procedure, it shall report to Congress at the earliest practicable date the result of its investigation, with such recommendations as to rates, practices, and regulations as the commission may deem proper. For the purpose of such investigation the Interstate Commerce Commission shall have all powers which it is now authorized to exercise in the investigation of the reasonableness of rates, and the Postmaster General shall supply such information regarding the mail service as may be requested by the Interstate Commerce Commission.

For years there has hardly been a session of the National Legislature that some proposal has not been before the body to modify the rates or change the basis of railway mail pay. Large sums of money have been expended by the Government in investigations, and still larger expenditures have been forced upon the carriers in preparing the necessary data for the use of the commissions and in presenting their arguments against reductions and changes. Would it not be fair to submit the whole question to a coordinate branch of the Government whose recommendations could be taken as a basis for final settlement?

The CHAIRMAN. Does any member of the committee desire to ask Mr. Peters any questions?

Senator HARDWICK. I would like to ask one or two, Mr. Chairman. What is the justice, Mr. Peters, in applying a different system to the Government's business from the system applied to the business of the general public? In other words, if we make the public pay railroad rates on the weight basis, why should not the Government pay in the same way?

Mr. PETERS. That is our contention—that there is no reason.

Senator HARDWICK. Is there any special reason connected with the character of the service rendered the Government which differentiates it from the case of the ordinary shipper?

Mr. PETERS. I can not conceive of any. The thought prevailing in the minds of many of the members of the Bourne Commission, as I remember it during the hearings, was that they might get something simpler than the present complicated, arbitrary way of averaging the daily weight and the length of the run.

Senator HARDWICK. If that were true, and it was a good thing for the Government, why would it not be a good thing for the ordinary shipper throughout the country?

Mr. PETERS. How would the railroads live? If you make a car-mile rate for carrying the mails 21 or 23 cents a mile, average rate, they could fill the car up as they pleased, and you would be making an average car-mile rate for shipping freight, and they could put anything in there they pleased.

Senator HARDWICK. If we reduced the pay allowed to the railroads for carrying the mail to any material extent, how will the railroads live, unless we let the railroads make it back out of the public, either in freight or passenger charges or somewhere else?

Mr. PETERS. They can not make it up except by increasing passenger rates or freight rates.

Senator HARDWICK. You think one or the other of those things is bound to happen?

Mr. PETERS. One or the other would have to come if you put down the compensation for carrying the mails. You can not change the passenger rate. Efforts have been made to do that, and they have failed, although some slight advances have been made. You try to raise freight rates, and you find that you destroy conditions that have become established gradually over a period of years, that have become fixed, and you affect the life of communities—the life of different businesses—if you attempt to make any change in your structure of freight rates.

Senator VARDAMAN. Mr. Peters, in fixing the rate for space in the Moon bill they calculate the profits, or rather the pay that has been received for the use of the cars up to the time of the passage of this bill. Have you been properly compensated for carrying the mail up to this time?

Mr. PETERS. I do not think 90 per cent of the roads have. I think 10 per cent of the roads have about broken even on it or have gotten a good large sum of money for carrying the mails, which has helped them in spreading their general load of expenses.

Senator VARDAMAN. Now, the space rate that is proposed here—suppose they take the cars that are already used, the cars devoted to no other purpose than the carrying of the mail—now, if you have made money carrying those cars, or have been properly compensated for carrying those cars, would it increase your expense to carry those cars if the Government happened to put a little bit more in them? You carry them anyway.

Mr. PETERS. We haven't been properly compensated heretofore. As I said before, these 90 per cent of the roads have lost money. The majority of the roads have not made any extensive profit. I think there are very few of the roads that can show up an actual profit made from carrying the mails.

Now, this average rate per car-mile is the one ascertained by the deductions drawn from the reports of the companies by the Interstate Commerce Commission, in which they figure out that the earnings per car-mile of all cars in the passenger-train service is about 25 cents per car-mile. Now, on some roads the earnings per car-mile would be up to 30 and 40 cents per car-mile; other roads run 30 cents, but the average is somewhere around 25 cents. Now, the passenger is 26 or 27, the express 22 or 23, the postal 21, or something like that, and then the average of those together is 25 cents. Take 10 per cent off of that, $2\frac{1}{2}$ cents, leaves $22\frac{1}{2}$ cents, which the mail ought to pay; adding 1 cent for terminal gives you $23\frac{1}{2}$ cents.

Senator VARDAMAN. That is what you would receive under the bill?

Mr. PETERS. Yes; and that is below the average of the present day.

Senator VARDAMAN. Could you operate your trains with a profit at that rate of pay?

Mr. PETERS. No, sir; we could not possibly do it.

Senator VARDAMAN. Then you have been operating these cars at a loss up to this time?

Mr. PETERS. We have; and that is why we have been asking for annual weighing instead of quadrennial weighing, in order that we may be paid for the weight of the mail carried.

Senator VARDAMAN. Well, even if the old system were continued, then you maintain that you are not getting what you are entitled to now?

Mr. PETERS. We are not.

Senator VARDAMAN. At that rate of transportation your road can not make any money for the stockholders?

Mr. PETERS. It can not. Now, in addition to that, you take an average car-mile earning rate of 22½ or 25 cents per mile. That is based on what the car earned with the average load. Now, you make your parcel-post rate such as to fill those cars and you take business out of the freight service and put it into the mail cars and make the passenger trains haul them. So you not only give the railroads more work to do in hauling the full car, but you take away their freight earnings.

Senator VARDAMAN. Well, do you really think that it takes away any freight earnings?

Mr. PETERS. We have a dozen of these short-line roads represented here, roads on the Pacific coast, and I quote in here what was shown by them. In Congressman Madden's speech he shows that whole carloads of freight have been taken right out of the freight car and put into the mail car.

Senator VARDAMAN. Those carloads of freight probably would not have been carried at all, except for the parcel post, would they?

Mr. PETERS. They were going by freight before, and when the parcel-post limit of 50 pounds was made they moved right up out of the freight car into the mail car.

Senator VARDAMAN. I can understand how that would be done in some instances.

Mr. PETERS. It is being done all over the country.

The CHAIRMAN. Mr. Peters, I understand that mails are now weighed by sections.

Mr. PETERS. Yes; every four years.

The CHAIRMAN. And your pay under the present system is based on the weight every four years?

Mr. PETERS. Yes.

The CHAIRMAN. Now, whatever increase there is in the weight of the mail carried during that four years, do you get anything for that?

Mr. PETERS. We get nothing for it. It is carried right along, but we get nothing for it.

The CHAIRMAN. What has been the annual increase?

Mr. PETERS. I think it has been estimated at something like 6 per cent.

The CHAIRMAN. Is it more than that under the parcel-post system?

Mr. PETERS. Under the parcel-post system it is very much more.

The CHAIRMAN. And for that you get no extra compensation, as I understand it.

Mr. PETERS. Except on those roads that had not been weighed before 1913. There was an allowance of something like 5 per cent.

The CHAIRMAN. Yes; I remember that. Now, one more question. Your apprehension is that under this space system the cars may be loaded largely with merchandise, such stuff as ought to really go by freight, isn't it?

Mr. PETERS. That is the condition existing in many sections of the country to-day.

The CHAIRMAN. Now, then, I suppose you carry all this on your fast mail trains—you have to carry mails on fast mail trains, do you not?

Mr. PETERS. Yes.

The CHAIRMAN. Is there any danger that the schedules on which you operate your fast mail trains would have to be reduced if they are required to carry so much of this stuff as you seem to indicate? In other words, is it likely in the future to interrupt your passenger schedules?

Mr. PETERS. It would very materially affect the movement of passenger trains. On the cars that are distributing at the local stations you have got to do just like the local freight train—take 10 to 15 minutes to unload this stuff. But on your fast through trains you may have some cases where it might not materially affect it. But it will affect the general passenger service as well as the general movement of the passengers.

The CHAIRMAN. That was the point I was trying to make.

Mr. PETERS. It would affect it very seriously.

The CHAIRMAN. Do you think it is likely that some time in the future the immense weight you have got to carry under the space system on your fast mail trains would interfere with their speed?

Mr. PETERS. It would on the trains distributing it. It might not materially affect the trains that are to run through between given points; but you could not run a special mail train at these low rates; therefore you would not have the fast trains, and you would attempt to put these cars on ordinary passenger trains, and it would affect all those schedules. So that you can say, seriously, yes; it will very materially injure the movement of passenger trains throughout the country.

Senator VARDAMAN. Has it ever done that? Has the carriage of the mail—handling the mail—up to date ever done that?

Mr. PETERS. Why, the concentration of the mail over certain routes or certain trains, making a train of four or five cars of mail, have been sufficient to induce the railroads to put on special mail trains. They have taken them off of the regular passenger trains and run fast mail trains.

Senator Vardaman. You would operate your trains just the same way if you were paid by the pound or if you were paid by the foot, wouldn't you?

Mr. PETERS. I doubt it very much.

Senator CATRON. Had you finished your answer to the Senator's former question?

Mr. PETERS. I say that under existing rates, where we were paid by weight and there was a concentration of four or five carloads of mail—sufficient inducement to run a fast mail train—the mail

was concentrated in that train and taken off the regular passenger train and did not interfere with the passenger service because it was put into a fast mail train. But under this space basis the railroads will not be induced at all to run fast mail trains, and the fast mail trains will come off. They can not begin to make it pay.

Senator VARDAMAN. I thought you said a moment ago, Mr. Peters, that the rates that have been made heretofore were based upon your rates for other transportation, in other departments—passenger and freight. Isn't that the basis of it? Are you required to carry mail cheaper than you are anything else?

Mr. PETERS. It figures out less per car-foot mile than any other kind of service on the train. The last investigation that was made it was something like 15 per cent less.

Senator VARDAMAN. So you could not do a general transportation business and make money at the rates that you are now receiving or were receiving two or three years ago for carrying the mails?

Mr. PETERS. We could not.

Senator VARDAMAN. You could not?

Mr. PETERS. I am quite sure we could not. The concentrated load of mail on the fast mail trains brings up the earnings of those cars something like 30 cents—29 to 30 cents—a car mile; and the railroads can afford to run the through fast mail trains, although there is not great profit in it, yet they keep the large income from the mail on that account. But if you cut those down to the average and then load them up with the cheap freight business that takes the earnings away from your freight traffic, you make a very serious condition for the railroads.

Senator TOWNSEND. Did I understand you, Mr. Peters, to say that the rates were lower than the average freight rates?

Mr. PETERS. A 60-foot car loaded with 10 tons of parcel post carries about 22 cents a car mile, which would be about 2.2 per ton-mile, while first-class freight rates average 3.5 to 5 cents or more per ton-mile.

Senator VARDAMAN. What are passenger rates?

Mr. PETERS. Passenger rates run about 2 cents—2 cents per passenger mile. I think the average in the country is just about 2 cents. There are sections of the country where it is 3 cents.

Senator SMITH of South Carolina. Mr. Peters, in computing the quadrennial weights—the pay for the mails—what per cent is allowed, if any, for the increase in the next four years?

Mr. PETERS. None.

Senator SMITH of South Carolina. For instance, you weigh this year, and the increase over the preceding four years has been so much—about 25 or 30 per cent—in computing the pay for the next four years does the Government make any allowance for that increase?

Mr. PETERS. No; they make no allowance at all. They take just the actual average daily weight, as ascertained.

Senator CATRON. That is, you have got to carry it the whole four years for that average from that 30 days' weighing?

Mr. PETERS. Yes; 105 days under the present weighing system.

Senator SMITH of South Carolina. Does your quadrennial weighing show that there has been a progressive increase?

Mr. PETERS. Right along; yes.

Senator VARDAMAN. What has been the history of that before the parcel post came in?

Mr. PETERS. It was about 6 per cent increase.

Senator VARDAMAN. And now the parcel post has caused a greater increase?

Mr. PETERS. The parcel post is showing a vastly greater increase.

Senator VARDAMAN. I can not understand how Congress would establish a rule of that kind that would work such an injustice, because I think the Government ought to pay for what it gets, and I supposed that before the parcel post came in it was very slight.

Mr. PETERS. No; it was quite large. We have been a growing country.

Senator VARDAMAN. I know that.

Mr. PETERS. And we use more than ever before, and it is increasing all the time, and that has increased the weight of the mail—your catalogues sent out by the mail-order houses. Then, all the parcels business that is handled by the mail-order cloak and suit companies and shopping companies in the big cities, in addition to what is sent by the farmers, the country people.

Senator VARDAMAN. I can understand the increase in the parcel post. That is perfectly natural.

The CHAIRMAN. The statistics of the Post Office Department show, Senator, that the average increase in the mails before the parcel post came in was about 6 per cent annually.

Senator VARDAMAN. Who established this four-year weighing plan without making any provision for the increase?

Mr. PETERS. The Postmaster General.

Mr. FAULKNER. The orders of the Postmaster General did it.

Mr. SMITH of South Carolina. Have you got any statistics to show the annual or per cent of quadrennial increase every year?

Mr. PETERS. Yes; I think our Mr. Worthington will show you that in his statement.

Mr. SMITH of South Carolina. What I am getting at is what was the per cent of the quadrennial increase of the normal mail before the parcel post was inaugurated.

Senator CATRON. For a number of years back.

Mr. PETERS. We can furnish that, Senator, if Mr. Worthington hasn't it. We had it once before.

The CHAIRMAN. If you are through now, Mr. Peters, we will have to adjourn for a little while.

Senator PENROSE. I move that the committee adjourn, Mr. Chairman, until 2 o'clock this afternoon.

Mr. PETERS. Will you finish with me? It will only take a minute or two, if you will hold up that motion, Senator.

Senator PENROSE. Certainly.

Senator SWANSON. I understand the present charge for carrying the mail is a combination of weight and space, is it not?

Mr. PETERS. Yes; it is weight for handling the mails; it is space for the furnishing of a postal car in which are carried the postal clerks and where the mail is distributed en route.

Senator SWANSON. Well, now, to what extent has space been increased annually? Have you any figures on that—the amount of space the Government has taken annually?

Mr. PETERS. I think there has been a gradual decrease in the last four years of the full R. P. O. cars. There has been an increase in the space of the storage car and the apartment car.

Senator SWANSON. Do you know what has been the aggregate increase or decrease?

Mr. PETERS. I can not give you those figures. I will try and get them for you, though.

Mr. MACK. I do not think they can be had. I do not think they are available.

Senator SWANSON. It was expected that this increase of space each year would to some extent compensate the railroads for their increased rate?

Mr. PETERS. Yes, sir.

Senator SWANSON. Now let me ask you this question: If the Government should fix a fair and reasonable rate for the use of the car by space, and then should increase this space as the business of the country increased, wouldn't your compensation be increased automatically and better than it would be by weighing either annually or quadrennially, as is now done?

Mr. PETERS. No; we can not see that it can be.

Senator SWANSON. Even if the Government should fix a fair and just rate on the space basis, and then if that was increased as the Government's business increased, wouldn't you automatically have your increase every month or every six months or every year, if it should be operated that way?

Mr. PETERS. We can not see how that can be done. We have studied it carefully and gone into it from all points of view, and we can not possibly see how you can make any definite fixed allowance of space, with proper consideration of the fact that space is the basis of pay and still give the railroads any chance to show an increase in the earnings or in the compensation.

The CHAIRMAN. Isn't that one of your contentions, the fixing of a reasonable and fair price? Your contention is that you can not fix it?

Mr. PETERS. You can not fix a rate that will be compensatory to all roads and all sections of the country.

The CHAIRMAN. If you are through, Mr. Peters, the committee will stand adjourned until 2 o'clock this afternoon.

(Thereupon, the committee adjourned until 2 o'clock p. m.)

AFTERNOON SESSION.

The committee reassembled at 2 o'clock p. m., pursuant to recess taken.

The CHAIRMAN. The committee will please come to order. Who is the next gentleman to appear?

Mr. PETERS. Mr. Searle, of the Rock Island.

The CHAIRMAN. Proceed, Mr. Searle.

STATEMENT OF MR. C. A. SEARLE, MANAGER MAIL TRAFFIC, CHICAGO, ROCK ISLAND & PACIFIC LINES, CHICAGO, ILL.

Mr. SEARLE. Mr. Chairman and gentlemen of the committee, shortly before the hearings granted to the railroads on January 24, 25, and 26, 1916, by the House of Representatives Post Office Com-

mittee, the Post Office Department issued a pamphlet defending the Moon railway mail pay bill and the so-called space plan of pay for mail transportation.

The department also endeavored in its pamphlet to justify the attempt to obtain enactment of the Moon bill by making it a "rider" on the Post Office appropriation bill.

The department's defense throughout was based upon a series of assertions unaccompanied by proof.

A careful examination of these assertions, the railroads believe, will show that they are not sustained by fact.

In the followings pages the principal claims and assertions made by the department are reprinted. The actual facts bearing upon the same are stated in parallel columns in the form of answers.

This has been done chiefly for the information of the Senate Post Office Committee, but also in order that all interested persons may judge for themselves of the adequacy or inadequacy of the department's defense of the Moon bill, the "space plan" of pay for carrying the mails, and the resort to "rider" legislation.

For convenience the department's claims have been grouped under appropriate heads. Page numbers are also given indicating where the various extracts may be found in the department's pamphlet.

I submit the following data in connection with my remarks:

THE ATTEMPT OF THE POST OFFICE DEPARTMENT TO REPRESENT THE "SPACE PLAN" OF PAY FOR MAIL TRANSPORTATION AS BEING MORE SCIENTIFIC THAN THE WEIGHT-AND-DISTANCE BASIS.

WHAT THE DEPARTMENT SAYS.

In addition to the pay for weights [of mail actually carried] the present law authorizes additional pay for railway post-office cars, 40 feet and more in length, at specified rates. This constitutes partial recognition of the space principle as a proper factor in making mail transportation rates (p. 2).

THE ANSWER.

This additional pay for railway post-office cars constitutes recognition simply of the fact that in addition to carrying the mails the railroads are required to furnish the department special facilities for conducting post-office work—that is, sorting the mails—in moving trains.

Why should not those special facilities be paid for when demanded, and in what manner can payment for them relieve the department of payment for the principal service, which is the actual carrying of the pounds or tons of mail shipped?

The anomaly and injustice of the present law is that it provides pay for such traveling post offices only when occupying full cars of the length of 40 feet or more. The railroads are compelled to furnish the department with about 4,300 apartment-car post offices, less than 40 feet long, which are not paid for at all.

THE CHAIRMAN. Now, what do you mean, exactly, by that statement?

Mr. SEARLE. That the apartment cars fitted up for post-office purposes, less than 40 feet in length, are not paid for specifically.

Senator HARDWICK. Part of the car is used for express, mail, etc.

Mr. SEARLE. Yes, sir; that is the way apartment cars are used.

WHAT THE DEPARTMENT SAYS.

The weighings [of the mails] are costly and annoying, and interfere seriously with the operation of the service in the field (p. 2).

Compensation thus determined [i. e., on the weight-and-distance basis] is not fairly distributed according to service rendered (p. 2).

THE ANSWER.

Only because the department's practice makes them so. The railroads believe that the cost of the weighings could be reduced 75 to 90 per cent, and all trouble to the department practically eliminated. Congressman Lloyd's bill, now pending, H. R. 4812, provides such a remedy.

This assertion can not be sustained. Payment on the weight plan—that is, for the weight of mail carried and the distance it is transported—is, in the strictest possible sense, payment "according to service rendered," and if the plan were administered properly by the department—that is, if the mails were weighed with sufficient frequency—it would with mathematical certainty result in the payments being "fairly distributed."

Senator MARTINE. What would you call sufficient frequency?

Mr. SEARLE. At least once a year.

Senator STERLING. It is now weighed once in four years?

Mr. SEARLE. Yes, sir. [Reading:]

WHAT THE DEPARTMENT SAYS.

The system [of payment on the weight-and-distance basis] lacks the elasticity to meet changing conditions and fluctuations of traffic that, with the growth of the parcel post, have been frequent and far-reaching (p. 2).

THE ANSWER.

Only because the department refuses to weigh the mails oftener than once in four years to determine the weights of mail carried by the railroads and to be paid for by the department.

Senator MARTINE. One moment—I think it has been asserted by the railroad authorities that they would pay for the weighing in the presence of a Government officer. Is that true?

Mr. SEARLE. It has been stated, Senator Martine, that the railroads would furnish the help to do the weighing; that is, their force.

Senator MARTINE. I think we had it stated here, Mr. Chairman, that the railroads stood ready to pay the necessary expense of weighing in the presence of the postmasters of the various towns.

Mr. SEARLE. That is, our agent would do the work under the supervisions of the postmaster, the agent to be a sworn employee of the Government to that extent, and subject to the Government's instructions and supervision of the postmaster.

Senator CATRON. Mr. Chairman, you stated that all this was to be printed. Are these colloquies that take place—these questions that are asked—is that being taken down?

The CHAIRMAN. Yes; if you do not want anything taken down don't say it.

Senator CATRON. I did not see anyone taking it.

The CHAIRMAN. Here he is; he has a machine that don't make any noise.

Mr. SEARLE. Very quiet, but very effective.

Senator CATRON. Oh, I see. I had not noticed the gentleman.

Mr. SEARLE. The department says [reading] :

WHAT THE DEPARTMENT SAYS.

Computation of pay under the old law with its several amendments [i. e., under the weight-and-distance basis] is a complex process, little understood, and productive of endless and vexatious disputes (p. 2).

The whole plan [of payment for mail transportation by weight and distance] is unscientific, inequitable in results, and needlessly complex (p. 2).

The desirability of a revision of the laws governing railway mail pay has been recognized by postal administrations for many years (p. 5).

THE ANSWER.

The principle—which is the ton-mile—is simplicity itself. The arithmetic, largely due to the department's methods, is somewhat lengthy, but could easily be simplified.

It is the precise plan upon which the department itself charges all shippers by parcel post.

It is the plan upon which the Interstate Commerce Commission regulates freight and express rates in this country.

It is the plan upon which freight rates everywhere are based.

The railroads heartily concur. The laws and departmental practices should, without further delay, be reformed to provide for annual weighings of the mails, pay for apartment post-office cars, and pay for or relief from the now gratuitous service, exacted from the railroads, of hauling the mails back and forth between post offices and railroad stations.

THE ATTEMPT TO MAKE THE MOON BILL AND ITS "SPACE PLAN" OF PAY FOR MAIL TRANSPORTATION APPEAR FAIR TO THE RAILROADS.

WHAT THE DEPARTMENT SAYS.

The plan [of payment on the "space basis," specified in the Moon bill] provided for a scale of pay exceedingly liberal, in the light of every factor that justly enters into the question of fixing reasonable compensation for carrying the mails, and assured the railroads a somewhat larger revenue per car-mile for carrying the mails than they are now receiving (p. 6).

THE ANSWER.

The Moon bill's plan does not assure the railroads any definite revenue whatever for mail transportation. On the contrary, it specifically provides that for every form of service which it enumerates the Postmaster General "may" pay the railroads "not exceeding" certain specified rates. Nowhere does it say that he must pay them anything.

Moreover, even the highest rates named in the bill, far from being "liberal," would result in serious injustice. For carrying a carload of parcel post in a passenger train, these rates would yield a railroad less than 1½ cents per ton per mile; whereas the Interstate Commerce Commission allows for carrying first-class freight in freight trains, ordinarily, from 2 to 7 cents per ton per mile, and much more in some sections of the country.

Nor would it be necessary for the Post Office Department to make carload shipments of parcel post in order to exact service from the railroads at unjustly low rates. Actual trial has shown that in the smallest unit of space the Moon bill would authorize—3 linear feet in a baggage car—it is practicable to load sufficient parcel

Passenger revenue less 10 per cent is basis of [the Moon bill] rates (p. 7).

The total mail pay upon the present basis, including both pay for weight and pay for space, for the fiscal year of 1915, was more than \$59,000,000. The rates carried in the proposed law [the Moon bill] would have resulted in a payment for that year of about \$62,000,000, estimated on the basis of the service in operation (p. 8).

post or mail to bring the return to the railroad, at the Moon bill rates, down to 1½ cents per ton per mile and still leave ample aisle room in the car.

This is a "head-line" assertion in the department's pamphlet that needs no elaboration. The Interstate Commerce Commission, in recent decisions, has held the passenger revenues of the railroads to be inadequate. Can it be fairly contended that the mail pay, per car-mile, should be made 10 per cent lower still?

Chairman Moon, of the House of Representatives Post Office Committee, in advocating the bill, informed the House, on December 19, 1914, that its passage would "save many millions annually" out of the railroads' pay, because under its terms they could be compelled to carry all the parcel post "probably without any additional compensation." In the same speech he said that the "saving" thus to be achieved would be \$8,000,000 per year.

As a matter of fact the discretionary powers which the Moon bill would vest in the Postmaster General would enable him to reduce the railroads' pay to any extent that he might desire, either by directly lowering the rates or by curtailing the frequency of dispatch of the mails, or both.

A new amendment incorporated in the measure by the House of Representatives empowers the Postmaster General to raise the rates as well as lower them. As the Moon bill "rider" now stands, the rates named therein are totally devoid of binding force and the measure is simply a complete delegation of the rate-making power to the Postmaster General.

THE POST OFFICE DEPARTMENT'S EXCUSE FOR RESORTING TO THE "RIDER" METHOD IN ATTEMPTING TO FORCE THE PASSAGE OF THE MOON BILL.

WHAT THE DEPARTMENT SAYS.

Because of the congestion of legislation during the short session [of the last Congress], it became apparent that the Moon bill could not be enacted, and hence, the mail-pay section of the Moon bill was incorporated in the annual Post Office appropriation bill (p. 6).

THE ANSWER.

If the Moon bill was, and is, as obviously fair, just, scientific, and in all respects meritorious as the department contends, Congress would surely have no hesitation in enacting it as a separate measure.

What reason is assigned for making it a "rider" on the now pending appropriation bill, in the present long session of Congress?

THE DEPARTMENT'S PERSISTENCE IN ITS OLD CLAIM OF OVERPAY TO THE RAILROADS FOR MAIL TRANSPORTATION.

WHAT THE DEPARTMENT SAYS.

Although the facts would warrant a reduction of railway mail compensation the Post Office Department has not advocated this action (p. 8).

THE ANSWER.

The facts are these:

In 1901 the Wolcott-Loud congressional commission reported that the railroads were not then overpaid and

recommended against any reduction in rates. Congress afterwards twice reduced the rates by law and the department made a third reduction by an executive order.

In 1913 Dr. M. O. Lorenz, associate statistician of the Interstate Commerce Commission, estimated that the railroads were underpaid certainly more than \$5,000,000 per year.

In May, 1914, Louis D. Brandeis reported to the Interstate Commerce Commission that mail transportation was "clearly unremunerative."

In August, 1914, the Joint Congressional Committee on Railway Mail Pay recommended an advance of \$3,000,000 per year in the railroads' pay, with relief from the messenger services.

The department says it does not now advocate a reduction in pay; but the department does advocate the Moon bill, and the sponsor of that bill has said in Congress that its purpose was to effect a large further reduction in the pay of the railroads.

THE ATTEMPT TO DISGUISE THE GRANT OF THE RATE-MAKING POWER TO THE POSTMASTER GENERAL.

WHAT THE DEPARTMENT SAYS.

The proposed law [the Moon bill] authorizes the Postmaster General to pay not exceeding the rate specified in it. * * * (p. 8).

In every law enacted by Congress on the subject of railway mail pay, since Congress first legislated 77 years ago in regard to the carriage of mails on railroads (July 7, 1838), the Postmaster General has been given free and full power to contract with a railroad for the carriage of mails at any rate within the maximum rates named in the several laws if he should be able to do so (p. 9).

THE ANSWER.

The present law, it is quite true, authorizes the Postmaster General to contract with the railroads for the transportation of the mails, and limits the amounts he may offer to pay by the use of the words "not exceeding" in connection with the various rates specified.

The Moon bill, however, would compel the railroads, under penalty of \$5,000 fine per day for each refusal, to carry the mails at the rates fixed by the Postmaster General, "not exceeding" those named in the bill. This is in no way similar to the present law, which does not compel the railroads to accept the Postmaster General's terms. If the service is to be made compulsory by law, instead of a matter of free contract, a disinterested branch of the Government should, in fairness, fix the rates. No one would defend a law empowering the Postmaster General to compel manufacturers to sell his department supplies for whatever prices he might choose to pay.

THE ATTEMPT TO JUSTIFY THE GRANT OF THE RATE-MAKING POWER TO THE POSTMASTER GENERAL.

WHAT THE DEPARTMENT SAYS.

The history of the [postal] service for the last 40 years sufficiently refutes the charge that the inclusion of

THE ANSWER.

The railroads have never asserted that the present Postmaster General—or any Postmaster General—intended

the words "not exceeding" will give the Postmaster General power that he would use in an autocratic or unfair manner (p. 9).

If rates [for railway mail transportation] were absolutely fixed, the Government would be compelled to use the short line between the large mailing centers, and could not give the competing roads having longer lines the privilege, as is done now, of hauling a part of the mails at the rate for the short line (p. 9).

Also, if the rates [for railway mail transportation] were inflexible, there would be innumerable instances in the conduct of the service involving disputes between the railroad companies and the department as to the precise amount due for service * * * (p. 9).

to use in an autocratic or unfair manner the powers which the Moon bill would confer. But they have many times asserted—and here reiterate—that these powers could be so used, and, if they are not to be so used, no reason exists why the department should seek them or why Congress should grant them.

This is a very trivial matter. It applies only to 21 mail routes out of a total of 2,484. The amount saved to the Government is only one-half of 1 per cent of the total railway mail pay. The Joint Congressional Committee on Railway Mail Pay in its bill, which proposed fixed rates, included in section 1 a provision for equalization between common points where one railway line was shorter than another.

If the Postmaster General wishes to continue the system of free contract, he should advocate retention of the present law, which amply provides for it.

The meaning of this statement is very obscure. If the rates were definitely fixed, there could be no dispute as to what was due the railroads for any given service. On the contrary, if the rates were left discretionary with one of the parties to the transaction, there would be unlimited differences and disputes, and possibly legal proceedings.

THE POST OFFICE DEPARTMENT'S ATTEMPT TO MAKE THE RAILROADS APPEAR BETTER PAID FOR MAIL THAN FOR EXPRESS TRANSPORTATION.

WHAT THE DEPARTMENT SAYS.

This tremendous burden of service [the parcel post, estimated by the department at 1,000,000,000 parcels per year] has been successfully assumed by the postal establishment and is being performed at a margin of profit for the Government, notwithstanding the inordinately heavy transportation costs—at times amounting to double the transportation costs borne by the express companies upon a great part of their traffic (p. 10).

Upon the majority of these great mail routes mail and express transportation conditions are practically identical. The cost to the railroads of the incidental services rendered in transporting the mails on these routes is inconsiderable, as compared with the

THE ANSWER.

The entire question of the earnings of the railroads from mail and express transportation was investigated by the Joint Congressional Committee on Railway Mail Pay, which reached this conclusion:

"We are compelled to reject the department's attempt to show higher relative railroad earnings from mail as reckless and misleading." (Report of Aug. 31, 1914, p. 93.)

In 1914, the last year for which complete figures are obtainable, the railroads received \$55,000,000 for carrying mail and \$75,500,000 for carrying express traffic.

The Joint Congressional Committee on Railway Mail Pay said:

"The express service undoubtedly costs the railroads less than the mail per car-mile. * * *

"Express matter is handled at all times by express employees. A rail-

great disparity in the returns from the two services (p. 10).

road company not only handles the mail at and in stations but in a great many instances bears the expense of transporting mail between the station and the post office. * * *

"Mail must be carried on all trains, including the fast trains, while express matter is limited in frequency and speed of service.

"Express cars are of simple construction, with practically no furnishing, and require little lighting. Mail cars must be of special construction, must be fitted with racks for holding mail bags and cases for distribution of letters en route. The best practicable lighting is also required. * * *

"Postal employees are carried free on railroads while on official business, whether connected with railroad mail service or not. Transportation of express employees is reciprocated by free services rendered by the express companies for the railroads.

"There are other differences which make the express service less burdensome or expensive to the railroads than the mail service. The foregoing enumeration is sufficient, however, to show justification for the statement that a comparison of rates without a comparison of service rendered is lacking in sincerity." (Report of Aug. 31, 1914, pp. 90, 91.)

Senator MARTINE. Whose report was that?

Mr. SEARLE. The report of the joint congressional commission known as the Bourne Commission.

WHAT THE DEPARTMENT SAYS.

The railroads are receiving from the Government amounts which, for hauls of any considerable length, exceed by about two to one the amounts they receive from the express companies for like and similar service (p. 10).

The department is authorized by law to ship by mail from November 15 to January 15 empty mail bags ordinarily sent by freight. * * *

During the recent holiday period it was found that shipments could be made by express at a lower rate than by mail between many points, and the express service was utilized to a considerable extent. * * * (P. 14.)

THE ANSWER.

On all hauls of moderate length over which the great bulk of the mails are carried the rates received by the railroads from mail transportation are lower than those they receive for carrying express traffic. The express companies pay the railroads 50 per cent of their gross receipts. The Post Office Department pays only 20 per cent.

The assertion that mail and express transportation are "like and similar" is refuted by the findings of the joint congressional committee quoted above.

The department fails to explain that during the recent holiday period large quantities of postal equipment were shipped by mail, either to obtain a lower rate or a better service than express afforded. The department has asked Congress to extend the period during which this may be done. (Report of 1915, p. 135.)

THE DEPARTMENT'S CLAIM THAT THE SPACE PLAN OF PAY FOR MAIL TRANSPORTATION COULD ACCURATELY MEASURE AND PAY FOR THE SERVICE RENDERED.

WHAT THE DEPARTMENT SAYS.

Under the space basis of payment provided in the Moon bill and in the appropriation bill, and agreed to by the conference committee on the latter, fluctuations in service would be promptly recognized and compensated. * * * (p. 11).

It is the belief of the department officials, and of many railroad officials as well, that the space plan would enable all service furnished according to the needs to be properly compensated; in other words, the department would pay for what it receives, and the railroads would receive pay for all service furnished (p. 11).

THE ANSWER.

It would be hard to express in more precise language what the space plan would not do.

Under the space plan one railroad would carry 1 ton, another 10 tons, and another 20 tons of mail the same distance for the same pay. On many routes it would be possible for the department to double, treble, or quadruple the mail tonnage which the railroads would be required to haul without paying 1 additional cent for the extra service.

The assertion that many railroad officers believe in the equity of the space plan is directly refuted by the unanimity of the railroads in protesting against its injustice before the committees of Congress and the public.

THE FIVE "MERITS" OF THE "SPACE BASIS" OF PAY FOR RAILWAY MAIL TRANSPORTATION WITH WHICH THE DEPARTMENT'S PAMPHLET CLOSES.

WHAT THE DEPARTMENT SAYS.

[The space basis] eliminates troublesome and expensive weighing (p. 16).

[The space basis] provides a system of rates definite and understandable (p. 16).

[The space basis] utilizes facilities paid for to maximum capacity (p. 16).

[The space basis] pays for service actually rendered and for space furnished (p. 16).

THE ANSWER.

It would eliminate necessary weighing and would thus destroy all check upon the disbursements made by the department for service rendered.

Aside from that, the department can not justly refuse to pay the railroads accurately for their services on the ground that it is troublesome and expensive to do so.

The proposed "space plan" consists of "line rates" for full cars, half cars, quarter cars, and for 7 linear feet and 3 feet of space, respectively, in baggage cars, plus various "initial rates" and "terminal rates" applicable to each, and all variable at the will of the Postmaster General. Is this easily understandable?

The railroads want the weight basis—payment for the pounds or tons they carry.

This statement should be corrected to read as follows: "Utilizes facilities only partly paid for to their maximum capacity." The car-mile rate in the Moon bill is based on the present average loading of about $2\frac{1}{2}$ tons per car. This would not be a fair rate for carrying 10 tons or 20 tons in a car.

It does not pay at all for service rendered, as it is not based upon service rendered, which is the weight of

mail carried and the distance it is carried.

Car space is not service. It is a facility for rendering service. It is perfectly proper for the department to require the railroads to furnish it extra car space for its own special purposes, such as for traveling post offices—provided, of course, it pays the railroads fairly for such extra facilities.

But it is not proper for the department to requisition car space in the railroads' trains at inadequate rates and then use that space for carrying on a commercial transportation business, through the heavy parcel post, in competition with the railroads.

[The space basis] will enable the department to proceed with its plans for the expansion of the parcel post (p. 16).

The railroads have always been disposed to do everything in their power to assist the Government in making the parcel post of the highest possible utility to the public.

But they most earnestly believe that they are entitled to be fairly paid for the service they render, or, in other words, for what they carry. They would not be so paid under the terms of the Moon bill or under the "space plan" of pay, which absolutely ignores the weight of the traffic carried.

The CHAIRMAN. Does any member of the committee desire to ask any questions of Mr. Searle?

Senator SWANSON. I would like to ask you this: You state that the Government pays the railroads 20 per cent of the gross receipts for carrying the mail?

Mr. SEARLE. Practically, yes.

Senator SWANSON. And the express companies 50 per cent?

Mr. SEARLE. Yes, sir.

Senator SWANSON. Have you an estimate of the number of pounds or tons carried by the Government and the number of tons carried by the express companies?

Mr. SEARLE. I do not have it here, but I can get those figures.

Senator SWANSON. I would like to have figures as to the number of pounds carried by the express companies and the compensation received by the railroads for those pounds or tons carried.

Then I would like to have an estimate of the number of pounds or tons of mail carried and the compensation received for the tons of mail carried from the Government. Could you furnish that for us?

Mr. SEARLE. There are no tonnage figures available for express, therefore the tonnage figures for mail are of no value for the comparison desired.

Senator CATRON. I understand that the Government pays not only by weight and mileage now, but they also pay some by space. What do they pay on space, what space is used? I was not in here during the statement of Mr. Peters at the commencement. He may have stated that.

Mr. SEARLE. The amount of compensation the railroads receive on the space basis at the present time is about 10 per cent of the total compensation.

Senator CATRON. But what space do they use? And why do they use it?

Mr. SEARLE. The space paid for is for special post-office facilities for the distribution of mail en route—40-foot, 50-foot, and 60-foot cars. The rate is so much per mile per year. For instance, at 40 feet it is \$25 per mile per year, which averages about $3\frac{1}{2}$ cents per mile. On 50 feet it is \$32.50 per mile, which is about $4\frac{1}{2}$ cents per mile, and on 60 feet the rate is \$40 per mile, which is practically $5\frac{1}{2}$ cents per mile. That is a special car fitted up with post-office boxes and racks, furnished under specifications from the department, and is exclusively for post-office work.

The CHAIRMAN. In other words, it is a traveling post office?

Mr. SEARLE. Yes; a traveling post office.

Senator SWANSON. I do not know that I exactly caught what you say is paid for that car.

Mr. SEARLE. So much per mile per annum.

Senator SWANSON. For the car?

Mr. SEARLE. For the car, for the use of the car, in addition to the weight of the mail.

Senator SWANSON. You said that for a car of less than 40 feet they did not pay anything for it. What do you mean by that?

Mr. SEARLE. There are two forms of service—apartment-car service, which is in a baggage car, one-half baggage and one-half mail, or maybe only a quarter mail or 15 feet or less. Apartment-car service ranges all the way from 3 feet up to 30 feet, according to the needs for distribution. Under the terms of the present law no additional compensation is paid by the Government for those special facilities unless the space required is 40 or more feet.

Senator SWANSON. They pay for the mail, however, in the car at the weight rate?

Mr. SEARLE. The mail actually carried in the car is paid for on the basis of weight.

Senator SWANSON. Are those cars—is there any special regulation about their being used for other purposes?

Mr. SEARLE. They can not be used for other purposes. They are specially fitted up for post-office purposes.

Senator SWANSON. Then, you are only paid for the weight that is in them. What becomes of the other space that is not used?

Mr. SEARLE. Well, if the department, for instance, used 30 feet in a car, the balance of that car is used for railroad purposes, express or baggage.

Senator SWANSON. My other question was addressed to that idea, if it was used for other purposes.

Mr. SEARLE. In the apartment car, part of the car is used by the railroads.

Senator MARTINE. That would accrue to the railroads in addition to the space used by the Government?

Mr. SEARLE. They use that for the carrying of baggage and express matter that is to be accommodated on the train.

Senator STERLING. Are those special cars 40 or more feet in length required in particular sections of the country; if so, where?

Mr. SEARLE. They are required in all sections of the country. We have them of various lengths; and I expect, outside of the very short lines, there is not a line in the country but what has cars of 40 to 60 feet in length.

Senator MARTINE. What are the conditions with reference to the service that requires cars of that length?

Mr. SEARLE. To enable the Post Office Department to expedite deliveries of mail. Instead of sending the mail to the post office and there distributing it, it is all distributed en route. It advances the delivery.

Senator CATRON. Going back to the question I asked a minute ago, where you use part of a car for baggage, etc., and the other part is used for mail, is there any conflict that ever arises between the railroad company and those who are taking charge of the mail with reference to the use of that car? Is there any portion of the car that is necessarily, on account of the character of the mail, left vacant?

Mr. SEARLE. Yes; the space that they ask for or require in that apartment car is fitted up into a special room by itself. It is partitioned off from the rest of the car.

Senator CATRON. The car is divided?

Mr. SEARLE. The car is divided; yes.

Senator MARTINE. Five and a half cents a mile, under certain conditions, you said, I believe?

Mr. SEARLE. Yes; for a 60-foot car. That is what it figures out.

Senator MARTINE. Five and one-half cents per mile per trip for the whole car?

Mr. SEARLE. For the 60-foot car, yes.

Senator HARDWICK. Mr. Searle, when the Interstate Commerce Commission was considering the recent proposition of the railroads for advancing freight and passenger tariffs, did it consider the question as to whether or not the railway mail pay was remunerative?

Mr. SEARLE. In the freight case, do you mean?

Senator HARDWICK. Yes.

Mr. SEARLE. I believe not.

Senator HARDWICK. You said here just now that Mr. Brandeis, who was then, as I recall, special counsel for the Interstate Commerce Commission, had reported to the Interstate Commerce Commission on a certain day—which you gave there—that the railroads did not receive remunerative pay for carrying the mail under the existing law.

Mr. SEARLE. I have not that pamphlet here. Perhaps one of the other gentlemen has the pamphlet that shows just what that was in connection with.

Senator HARDWICK. That is what I wanted to know. Did he make an examination into that question, or was he just expressing an off-hand opinion?

Mr. SEARLE. I do not know just now how that was.

Mr. WORTHINGTON. As I recall the statement, Mr. Brandeis expressed that as his opinion, and the Interstate Commerce Commission in dealing with the question of railway mail pay in that case said they would not express an opinion as to railway mail pay, as that was under another branch of the Government.

Senator HARDWICK. Why was he expressing that opinion in connection with the proposition of the railroads to be allowed to advance tariffs?

Mr. WORTHINGTON. I think it was in connection with the general character of passenger-train service. He held that passenger-train service as a whole was unremunerative, which included the mail.

Mr. PETERS. He further said that each branch of the service should do its share toward the support of the railroads. That is, each branch should, as far as possible, be made remunerative.

Senator HARDWICK. What I was trying to get at was whether that was just an offhand opinion on his part or whether it appeared to result from some investigation of the question he had made.

Mr. PETERS. I think it was only in consideration of the general question. In his opinion each part of the service, passenger service, express service, and mail service, should do its share toward paying the cost of operation.

The CHAIRMAN. Here is the quotation in the hearing:

We make no suggestion in regard to railway mail pay, as that subject is under investigation by another branch of the Government, but it may be assumed that if the compensation for the service is found to be unjust to the carriers, relief will promptly be afforded.

Mr. PETERS. It is not a bad idea, if it is possible to make it go; but you can not always bring it about.

Senator HARDWICK. This does not say what Mr. Brandeis said about it.

Senator SMITH of South Carolina. Mr. Searle, I would like to ask you, how does the present pay for mail service compare with other commodities that you carry, both freight and passenger?

Mr. SEARLE. It is less.

Senator SMITH of South Carolina. How does this compare with the same rate per pound for your passenger and express business?

Senator CATRON. I would like to know what the difference is between passenger and express separately.

Mr. SEARLE. The only figures we have on that are those compiled for Document No. 105; that shows the percentages of revenue accruing from various services. It showed the mail was materially less than that from any other service, but I have not the figures before me. If you could get a copy of that document it would show those figures.

Senator SMITH of South Carolina. What document do you refer to?

Mr. SEARLE. Document No. 105, during Postmaster General Hitchcock's administration.

Senator SMITH of South Carolina. I would like to ask your opinion as a railroad man—does the present method of weighing the mails and the revenues that you receive—is it profitable at all?

Mr. SEARLE. It is not profitable when you take into consideration all of the expenses attendant upon operating the railroad, including taxes and overhead expenses.

Senator SMITH of South Carolina. Now, therefore, your opinion is—or your conclusion is that the present system is not profitable to the railroads?

Mr. SEARLE. Under the basis of quadrennial adjustment, yes. We believe that the rates, if readjusted more frequently, and we had relief from the side and terminal service, so-called—carrying the mails

to and from post offices—and also pay for the apartment post office, which is the same service identically as they get for more than 40 feet—that that would be as nearly equitable as it could be arrived at.

Senator SMITH of South Carolina. I am not particularly interested right now in what contributes to the loss. I am interested to know whether the present system is profitable to the railroads or not, as carried on right now.

Mr. SEARLE. There are undoubtedly some of the lines that would show a profit, but not as a general proposition over the country.

Senator CATRON. What proportion show a profit?

Mr. SEARLE. Mr. Peters testified this morning that practically 10 per cent of them.

Senator MARTINE. I want to ask, if it were possible—which it is not, of course—but if it were possible, would you reject, if you had the right, the mail or the present transportation because of the lack of profit; or would you continue to receive it, even at the present rate, if it were possible to do that? Of course, I realize you can not reject it, but I am asking now if it is so unprofitable that you would reject it as dross, so to speak, if you could?

Mr. SEARLE. No; I do not think we would reject it. It helps. Whatever we get from the mail helps to an extent to take care of the overhead, as you might say, and other expenses. We would not feel that we could drop it; but we do feel that, based on a comparison with other service, it should pay us more, and that there are certain features of the service that are burdensome and that we should have pay for.

Senator MARTINE. In comparison with express matter, is it better paying or less paying?

Mr. SEARLE. It depends upon the haul.

Senator MARTINE. Take it as a whole.

Mr. SEARLE. Taking it as a whole, it is less remunerative than express.

Senator SMITH of South Carolina. Mr. Searle, I would like to ask you what, in your opinion, would the railroads prefer. You have the mail weighed every four years now, and, as I understand, if this was a 30-day period now, the tonnage ascertained during that period would be the basis of compensation for your pay for four years to come, regardless of what increase there might be in that time.

Mr. SEARLE. Yes, sir; for 105 days' weighing.

Senator SMITH of South Carolina. Compare that, now, with the Government and yourselves entering into some agreement as to space, and as the space increased, as the necessity for space increased, under the terms of this bill there will necessarily be increased pay by the Government—that is, all the extra space you needed—as the volume increased the space would necessarily increase—that is, if it went above the maximum car—which would be more remunerative, the present quadrennial weighing or an equitable adjustment of pay upon a space basis? Which, in your opinion, of the two systems would you prefer?

Mr. SEARLE. The quadrennial weighing, Senator.

Senator HARDWICK. Why?

Mr. SEARLE. On account of the possible effect of the maximum use of the space which would be paid for on an average basis, prac-

tically giving an opportunity to enter into competition with package freight.

Senator VARDAMAN. Suppose in your calculations you should estimate that the entire space was going to be taken up.

Mr. SEARLE. The entire space will be taken up.

Senator VARDAMAN. Suppose the Government is going to pay for the entire space all the time; wouldn't that be more remunerative?

Mr. SEARLE. There is nothing in the bill to indicate that.

Senator VARDAMAN. That is the question Senator Smith asked you.

Senator SMITH of South Carolina. No; my question was that if they were to agree upon a space price based on an average.

Senator VARDAMAN. I understood you to mean using all the space.

Senator SMITH of South Carolina. Well, practically, yes; paying for what the Government got ultimately.

Senator VARDAMAN. If you are going to get paid for the space used, you could not get any more if you were paid so much a pound.

Mr. SEARLE. The bill does not provide for that. It provides for pay based on the average load; while it gives them the opportunity to load to its maximum capacity. Therefore all of the load over and above the average load which is carried would not pay the railroads a cent more for carrying it.

Senator VARDAMAN. If you can give me this in order I would like to have it. The estimate that you are figuring on now, the amount of space that is going to be taken up, what percentage of the space would be used in the car, or could be used, that they are figuring in this?

Mr. SEARLE. The bill provides for a rate of 21 cents pay for a 60-foot car. The average load at the present time over the United States is about 3 tons. The maximum capacity of the car is 20 tons. They would be paying on an average load of, say, 3 tons, with the privilege of using that car to its capacity of 20 tons, without additional compensation.

Senator VARDAMAN. Is there anything in this bill to justify the Postmaster General in making an estimate that low? Or is he authorized to go beyond 3 tons in weight?

Mr. SEARLE. In making the pay, you mean?

Senator VARDAMAN. Yes.

Mr. SEARLE. No.

Senator VARDAMAN. He is not?

Mr. SEARLE. No, sir.

Senator VARDAMAN. He is getting the space—he is paying for 3 tons?

Mr. SEARLE. Approximately.

Senator VARDAMAN. For 3 tons, when could possibly load 20 tons?

Mr. SEARLE. Yes, sir. That is the whole question, Senator. When the freight in 50-pound packages as parcel post would be loaded into these cars.

Senator VARDAMAN. Well, that is a pretty good deal for the Government.

Mr. SEARLE. That is what we think.

The CHAIRMAN. Who is your next speaker?

Mr. PETERS. Mr. Worthington, of the Southern Pacific Co.

The CHAIRMAN. Proceed, Mr. Worthington.

STATEMENT OF MR. W. A. WORTHINGTON, VICE PRESIDENT AND ASSISTANT TO THE CHAIRMAN OF THE SOUTHERN PACIFIC CO., NEW YORK CITY.

MR. WORTHINGTON. Mr. Chairman, I would appreciate it if I could be allowed to proceed with as little interruption as possible until after my statement is concluded.

THE CHAIRMAN. You may proceed, and then we will question you afterwards.

MR. WORTHINGTON. Mr. Chairman and Senators, it has been just a year and a half since your honorable committee permitted us to address you on the subject of railway mail pay, and I know we are all deeply appreciative of the opportunity to again discuss this question with you and make known to you the very serious opposition of the railways to payment on basis of space instead of weight. Our persistence in this opposition is honest; it is sincere; it reflects the general sentiment of railway officials throughout the United States; and we are asking you for only simple justice in determining the terms that shall prevail for services rendered by the railways to the Post Office Department.

I shall try to be as brief as possible, consistent with the necessity of properly explaining the basis for our objections to the proposed change in the law.

The space plan of payment with the rates fixed in the rider to the Post Office appropriation bill has been consistently opposed by the railways because they consider it is a cleverly conceived plan to deprive them of any payment whatever for services rendered to the Post Office Department in handling a large part of the mails.

For years the department has benefited at the expense of the railways by the department's construction of the law of 1873, under which mails should be weighed not less frequently than once in every four years. A fair construction of this law would entitle the railways to annual weighings during periods when mail traffic is rapidly growing, otherwise the annual increase between the periods of weighings will be carried for nothing. Special additional compensation has been allowed in the past when mail is transported in postal cars provided with racks and distribution facilities, including transportation of clerks, when such space in a car is 40 feet or more long. The railways have asked for similar prorata payment for like facilities when space is less than 40 feet long, nonpayment for which is inconsistent. They have also requested payment for or relief from nontransportation services now performed free in making side and terminal deliveries; that is to say, the railways have requested payment for three classes of service now unpaid.

What treatment does their request receive and what is now proposed? To speak plainly, the proposal is to vastly increase the amount of unpaid services rendered by the railways through a new plan of payment recommended as an "improvement."

A space plan of payment would be equitable only if the entire space turned over to the department's use is to be paid for. The department, however, has no intention of paying for it. Mail cars are now underloaded. Storage cars will hold 20 tons or more and are

now carrying only 7 tons. The railway post-office cars carry little more than 2 tons, and the average load for all cars carrying mail is not more than $2\frac{1}{2}$ tons. Based on payment for this light weight, a total payment of the same amount for the entire car is proposed, for which the railways would move all tonnage in excess of the present average load for nothing. That is to say, the railways have for sale a large amount of unused space in the cars carrying mail which, if used under the present law, would be paid for by the department at the tonnage rate. Under the space plan the Government proposes to appropriate all of this space and give the railways nothing in return for it. If such a law is established naturally the department will try to use all of this free space and if it succeeds in loading, say, 5 tons in the average car instead of $2\frac{1}{2}$, which growth of traffic should enable it to do, the railways will carry a volume of mail traffic equal to the existing volume now carried without a cent of revenue for it, whilst the Government will double its present postage revenues, which increase with the weight transported. As the department would pay the railways nothing for a considerable part of their services, postage rates could be made so low for parcel post as to divert a large part of the express traffic and considerable of the freight traffic, on which transferred business the railways would lose all revenue now received for it.

Shippers by parcel post (and the statistics show that a few shippers contribute a material part of the parcel-post traffic) should have no preference over shippers by express or freight; yet under the plan proposed these parcel-post shippers could receive rates so low as to seriously discriminate in their favor against shippers by other means of railway transportation. The losses borne by the railways in handling parcel post would have to be shouldered by other classes of railway traffic, and it is quite certain if the public generally understood the true meaning of this proposal it would object strenuously to such an injustice, not only to the railways, but to a part of the public.

I have tried to follow the line of reasoning of those who are no doubt sincerely convinced that the space plan is proper and an improvement over the weight basis, and believe these gentlemen base their conclusions on the following general assumptions:

1. That it costs the railways little more to move a large carload than a small carload, because the weight of the car itself represents the far greater part of the total weight of car and contents.
2. That if the space pay bears a relation to the earnings per car-mile from passenger service, the department thereby would pay the railways sufficient for the entire space in the car and should be permitted to use it.

Replying to these conclusions, I would say:

1. If the space rates proposed were based on the cost of the service, the first argument would have some weight, but the rates proposed have no relation to the cost of the service, though it is contended they have a relation to the revenues now received per car-mile from passenger service. It can be clearly shown by reference to recent decisions of the Interstate Commerce Commission and by any fair apportionment of railway expenses to passenger service that the revenues from passenger-train service as a whole are below what they should be. The passenger revenues are lowered by State laws

and regulations, over which the Federal Government has no jurisdiction—such as 2-cent passenger laws, etc., some of these having already been found by the courts confiscatory. The Interstate Commerce Commission has recently given a number of the roads permission to raise passenger rates; increases in them are being made wherever possible, and in addition to this the railways have the opportunity of improving passenger earnings per car-mile through better loading of cars.

Thus the basis upon which the space rates are fixed is too low, even if they equal the present passenger revenues per car-mile. These passenger revenues per car-mile can, as has been explained, be increased in future, and if any space rate based upon them is made for mail the same opportunity to receive increased pay as the load in the car is increased should be accorded the railways.

Let us assume, however, merely for the purpose of illustration, that space rates adequate to compensate the carriers for the expense of carrying the present loads in mail cars are fixed but that provision is not made to increase these rates as the loads increase because of the theory that the cost to the railway is not thereby made greater. The increased load does increase the weight of the car and to that extent does increase the direct cost of movement. It may be admitted, however, that the direct costs of movement are not increased in proportion to the weight carried, but it must be remembered that this relates only to direct-hauling costs and that the total of these hauling costs represent only about one-third of the total expenses of conducting the operations of the railway. For the other two-thirds of the expenses every ton of mail, every ton of express, every ton of freight, and every passenger should bear its pro rata share regardless of the load in the car if we are to follow the principles laid down in decisions of the Supreme Court. Relieving any class of traffic from this principle merely means the transfer of an undue burden of these charges to other traffic and to other patrons of the railways for the benefit of the preferred class. The space basis directly violates this principle in that added load in the car after the space rates are once established contributes no revenue whatever to pay not only the direct train expenses but to pay the greater railway costs that do not depend upon car or train loading. The latter class of expenses might be illustrated by citing the greater part of maintenance of way and structures, including, for example, ordinary and extraordinary repairs of roadbed, fencing, also station and terminal expenses, administration, general expenses, and return on investment, these all being expenses incurred on account of the railway traffic as a whole and chargeable to every part of it.

We believe we are right in opposing the space plan for this reason alone, as it affords an opportunity for undue discrimination in favor of shippers by parcel post as against shippers of like traffic by express or freight. As the railways must necessarily continue the existing policy of charging the public on a weight basis for express and freight, if the mail traffic is to bear its share of the railway expenses, the introduction of the space basis for freight sent through the mails would be outrageously unjust not only to the carriers but to the general public, which may prefer to use other means of railway transportation.

2. As to the second argument of the proponents of space, that if the pay fixed has a relation to the revenues per car mile for passenger service the department thereby pays the railways for the entire space in the car and should be permitted to use it; there would not be very much objection to this if the department actually did pay the railways for the entire space in the car which they would be at liberty to use. Unfortunately, however, nothing of this sort is proposed. At the present time the department is paying the railways only for the space actually used in the mail cars and is not paying them anything for the unused space. Under the weight basis, as the unused space is turned over to the department through carrying greater tonnage per car, it is paid for. The average load in a mail car of all classes is not more than a fraction of its carrying capacity.

The railways contend that they are underpaid for the mail traffic as at present conducted with the present loads in the car, and the proposed space rates would on many roads even decrease the present earnings. It is to be expected that any space plan suggested by the department would consider only the present load in the car, but it should be quite apparent if the space rate is based upon this load the railways would be deprived of revenue for all increase of load up to the carrying capacity of the car. The only fair space rate possible that did not increase as the load in the car increased would be one based on the maximum loaded car—a possible future condition—but I fear the department would quickly abandon the space principle if such a rate were suggested. Any space rate based upon a very small load would be proper only so long as that load obtained, and would be a growing injustice to the railways if it did not increase with growth of traffic. That such a plan would, however, appeal to the department and be strongly supported by it is easily understood. It could thereby compel the railways to transport large volumes of mail for nothing or for very low ton-mile rates, and could thereby establish rates to the public through means of the parcel post below rates fixed by the Interstate Commerce Commission for the carriage of express or below rates subject to the jurisdiction of that commission for the carriage of certain freight. On such business the only expense incurred by the department would be the terminal services, the railways performing the major part of the service transporting the traffic between cities and towns. Where this additional business was handled in existing space the railways would get nothing at all for it, and where it required additional car service the loads in cars would be so great as to give very little return per ton of weight carried. It is easy to imagine, as the department charges for parcel post on the weight basis, the growth of parcel-post traffic would on the space basis mean a very large addition to the net revenue of the Post Office Department, produced wholly at the expense of the railways of the United States.

The railways have no desire to restrict the proper conduct of the parcel post, and I believe railway officers have as much regard as any citizens for the welfare of the Post Office Department, but we can not believe Congress in its wisdom will enact a law so greatly unjust to the railways through confiscating their facilities without payment so that the net revenues of the Post Office Department may be expanded through the operation of the parcel post.

POLICY OF TRANSPORTING FREIGHT ON PASSENGER TRAINS.

I would like to refer to the report of the joint congressional committee, printed in August, 1914, in which the statement is made on page 15 that the chairman of that committee believed the railroads should receive, if anything, a higher car-mile revenue for mails than for passenger service, because of the interruption to passenger service through the delays incident to the handling of mails, the committee report expressing some surprise that this was not brought out by the railway representatives at the hearing. This is an important factor, though doubtless considered by the railway representatives as subordinate to the fundamental objections to the space plan. The transportation of freight unnecessarily on passenger trains should be discouraged rather than encouraged. We have already as much of it as can be efficiently handled without undue interference with the transportation of passengers. The last Interstate Commerce Commission reports show that for every two cars devoted to passengers, including the sleepers, the railways are hauling nearly one car for the transportation of mails, express, or baggage, the handling of which materially delays passenger trains to a much greater extent than the handling of passengers, who load and unload themselves. The growth of the parcel post has already been enormous and should be regarded as satisfactory. The space plan would unquestionably afford opportunity to develop it unwisely with the object of filling the car space and lowering the railway cost. Temptation would exist to go after all business possible, and where this traffic was diverted from freight or express the railways would not only lose the former earnings on it, but the train schedules might be impaired and passengers discommoded. Even measures of safety are ignored by the proposed space bill, which contains nothing to prevent overloading of cars. In our express contracts provision is made that the railway shall fix the maximum safe loading of its equipment. This is extremely important when the traffic is handled ahead of passengers at the speed at which passenger trains are now run.

INCREASED EXPENSES OF RAILWAY OPERATION.

The denial of payment for the increased carload is, perhaps, the greatest objection to the space plan, but to railroad-operating men a very grave objection is that a space rate, even if compensatory at the beginning, is inflexible and fails to accommodate itself to rising operating cost. Under the weight basis we may reasonably expect the growth of traffic will give us increased car loading and therefore increased revenues per car-mile, but no such hope is held out in the space plan. As the gentlemen of this committee are no doubt well aware, railway operating costs are not stationary, but have a constantly rising tendency. This is not only due to increasing labor and material prices, but also in the passenger service to the necessity of substituting steel for our wooden equipment, the necessity of further double-tracking, block signaling, elimination of grade crossings, etc., to prevent accident.

Even the railway payments for taxes have been growing out of all proportion to the trend of revenues; for illustration, 10 years

ago the railways paid in taxes \$18,000,000 more than they received for handling the mails, while at the present time the railways pay in taxes \$80,000,000 more per annum than they get for handling the mails.

We can only gauge the future by the past, and in this there is no encouragement that the railway operating cost is not going to further increase. During the last 10 years daily railway wages have increased 28 per cent, and wages represent two-thirds of the operating expenses. Material has also increased, and the cost of operating a train a given distance has grown 34 per cent in 10 years. The average size of a locomotive has increased 32 per cent. A recent compilation of the size of passenger locomotives of a number of western roads shows that eight years ago these averaged 87.42 tons weight, while those now used average 116.85 tons.

The capacity of the passenger car has not changed much, but steel cars weighing 120,000 pounds and costing \$12,000 are replacing wooden cars weighing 80,000 pounds and costing \$6,500. The annual cost of the maintenance of the heavier equipment is also at least one-third higher than it was 10 years ago.

Who would have the temerity to state that these upward tendencies in railway-operating cost have reached the zenith and that they will not advance further? Even now the railways are facing a demand for higher wages on the part of train and locomotive service employees through the so-called eight-hour-day movement. Is it any wonder, gentlemen, that with these facts before us we can not help repeating to you the injustice of an inflexible space payment that does not increase as the tonnage in the car increases, and which would deprive the railways of any possible economies through heavier carloading?

ECONOMIES IN RAILWAY OPERATION.

All past railway history leads only to a single conclusion, which is that railway operating costs per car-mile are constantly growing, and if investments in railways are to be safeguarded this will be possible only through the payment of higher charges by the public or by economy in railway operation. There has been for a decade or more no material change in rates for freight traffic or for passenger traffic. In the case of the mails, however, through the operation of the law of 1873, there has been a large reduction in the charge per ton-mile to the Post Office Department for railway transportation, as evidenced by the fact that the railways are now receiving only about one-fifth of the postal receipts, whereas only 10 years ago they received about one-third.

Economies in operation have been absent from the passenger-train service but present in the freight-train service. In the latter service, through increasing the loads in a car and in a train, we have brought the revenues per freight-train mile up to \$3.31. The revenues per passenger-train mile remain at only \$1.35, or 40 per cent of the freight revenues. It costs something more to operate a freight train than a passenger train, but I am entirely within the facts in stating that the entire passenger-train service is to-day underpaid, and the revenues are insufficient to cover the expenses chargeable to it. This conclusion is fully justified by recent decisions of the Interstate Commerce Commission.

The railways have reached the point where they must, if possible, apply to the passenger-train service the methods which produced economies in the freight-train service. The revenues per car-mile in passenger-train service can be increased only by raising the rates or by obtaining a larger, and hence more productive load per car. In conducting the mail traffic our only hope has been that, through an annual weighing and payment for apartment-car space, we would get pay for services now rendered free, and that future growth of the mail traffic would add to our carload and build up the revenues per car-mile to a point where this traffic would at least bear its fair share of the expenses.

The space plan banishes this hope completely. Through what I believe was a misconception of the reasonableness of passenger rates the joint congressional committee used the passenger-car revenues as the measuring stick for an inflexible space rate for mail and even went 10 per cent below these figures, forgetting the important fact that passenger revenues per car-mile were too low and should be increased; also overlooking the equally important fact that, through the methods of payment for passengers and express which vary with the number or quantity moved in a car, the railways are in a position to build up the passenger-car revenues much beyond what they are now.

I would here like to digress a moment and mention a very serious omission which the joint congressional committee made in computing passenger revenues per car-mile, from which a deduction of 10 per cent was made to fix the mail rate. The computation was made by dividing the total passenger revenue proper by the space in passenger trains, after deducting the mail space and the express space. Now, this passenger space included sleeping cars, dining cars, and baggage cars, as to all of which special compensation is collected from the public aside from the ordinary passenger revenue. The magnitude of this omitted revenue is really very considerable. We receive revenues from excess baggage, special collections from parlor-car seats, revenue from chartered cars, special revenue from dining cars, and the Pullman Co. collects from passengers a revenue for occupying sleeping cars.

Statistics are not available for the United States, but for the lines of the Southern Pacific Co. this special passenger revenue amounted in a year to \$5,103,553, or nearly twice our mail revenue, and it is 18 per cent as much as the ordinary passenger revenue.

If the same rule follows for all other railroads, then the 26 cents per car-mile found by the congressional committee for passenger service should be increased to 30 cents to determine the earning of passenger cars per car-mile. Then, adopting the committee's rule of deducting 10 per cent from 30 cents, the committee should have computed 27 cents as their basing rate for mail, instead of about 22 cents.

It has been correctly stated that loads in mail cars are uneconomical and should be increased. This, however, is not the fault of the railways. The department has desired frequency of service for the benefit of the public, and the mails are carried on most of the passenger trains. The effect of this is to spread the mail tonnage over many mail cars. Under the space plan frequency of service or the spreading of the total tonnage of mail over many trains will be more

expensive to the department, but the sacrifice of it will impair the service to the public. The railways are willing to continue the frequency of service, which under the weight basis costs the department nothing, trusting to the growth of traffic to obtain more economical car loading. If, however, the space plan is adopted for the purpose of increasing the carload solely for the benefit of the Post Office Department, we must strongly protest against the injustice of this principle, or of any principle that will not permit us to increase our revenues per car as the weight increases, and thus eventually to bring this service to a point where it will stand its share of the expenses. This privilege we have in all classes of railway traffic, even with the unproductive passenger service. A railway passenger coach will seat 60 or 70 passengers. The average load is now small, but it may be increased, and when these cars are fully loaded we receive from \$1.20 to \$1.40 per car-mile. An express car will carry, say 20 tons; unfortunately there is no official compilation of express ton mileage, but the joint congressional committee, on page 92 of its report, uses a rate of 8 cents per ton-mile; on this basis a fully loaded express car would pay the railways \$1.60 per car-mile. The potential earning capacity of a 50-ton freight car 40 feet long, at three-fourths cent per ton-mile, the average rate for the United States, would produce a railway revenue of $37\frac{1}{2}$ cents, or for 60 feet of space a revenue of 56 cents. Contrast this with the maximum earnings possible of a 60-foot mail car under the space basis, which are only 21 or 22 cents.

REFERENCE TO THE INTERSTATE COMMERCE COMMISSION.

I believe that an impression has prevailed in some quarters that our objections to the space plan should be at least partially overcome by the opportunity of bringing the subject before the Interstate Commerce Commission for review and by the limitation of parcel post to packages of 50 pounds. Any possibility of relief from the horrors of the space bill is, of course, most welcome to the railways, but in permitting a review by the Interstate Commerce Commission that commission's hands are tied, as it would be confined to consideration only of the space rates and would not be permitted to give its recommendations as to whether space or weight should be the basis of payment. The commission may further make a comparison of revenues from mail traffic only with those from passenger and express traffic, all of which are unremunerative and is barred from comparisons with the more productive freight traffic.

But why enact the space law at all if the rates are subject to immediate review by the Interstate Commerce Commission? Why saddle this pernicious proposition on the railways and cause them to suffer untold losses in the conduct of the mail traffic for an indefinite period before the commission can make its investigation and report and before some subsequent Congress can act?

The fixing of the 50-pound weight limit, which does not in any way curtail the present law, will not, in my opinion, prevent the injustice to the railways through increasing the carload without payment for it. The present load in a mail car of all classes, as has been stated before, is only $2\frac{1}{2}$ tons and the load in a storage car about 7 tons. The present regulations have not restricted the development

of the parcel post, as the last annual report of the Postmaster General states the growth has been most gratifying, the business now amounting to 1,000,000,000 packages annually, or four times the amount handled before its inauguration. It is by no means an impossibility to vastly increase the present tonnage per car without a cent of payment to the railways for the increase under the space plan.

Even without any increase in carloading the space plan would be most unjust to the railways that are now carrying heavy loads per car. I will not take up the time of the committee to read it, but desire to file with you for the record an individual appeal on behalf of the Southern Pacific Co. protesting against the effect of the space plan upon that line. The space basis on the Pacific coast lines of our company would reduce our present annual compensation nearly \$400,000. On a fast mail train which we operate from Ogden to San Francisco the present compensation would be more than cut in two and we would receive for this train 88 cents a train mile, or much below the cost for that kind of service. On this train the load per car is quite heavy, averaging 10 tons per car. Under the space plan we would get for transporting mail on this train a rate of 2 cents per ton mile for passenger-train service, whereas the existing first-class freight rate from Ogden to San Francisco averages 3.94 cents per ton-mile, or more than twice as much. I believe nothing further need be said of the astounding injustice of this plan to this particular railway system.

To further illustrate, as I said before, we would receive on the space plan on our special mail train 88 cents a train-mile, as compared with \$2.51 that we now receive. That payment would absolutely prohibit the operation of that special train, unless we wished to do it as a pure gift. There would be no money in it. In fact, we would lose money. It would be physically possible to take the mail cars of that fast mail train and place them on the other passenger trains. That would be much more economical to us, but those trains are already as long and as heavy as we can operate and make the time with them. The result would simply be that the transferring of those cars would unduly load those passenger trains, and we would have to lengthen the schedules. This is without any growth of traffic whatever. I am speaking of present conditions.

I might mention that on the Southern Pacific our operating expenses are very much higher than on the average railway, for the reason that our wage schedules are far in excess of the average, and cost of material for railway operations is also greater. We receive higher freight rates on that account, and we receive higher earnings per passenger car-mile and freight car-mile. In fact, the proposed space pay, so far as the Southern Pacific is concerned, would give us very much less for 60 feet of space than we now receive for 60 feet of our ordinary freight traffic—very much less. We are now getting for 60 feet of freight traffic, on average business, 27 cents per mile run.

I would also like to file with the committee a very interesting letter I received yesterday from our mail traffic manager of San Francisco. We have a rather peculiar condition on the Pacific coast, and this letter is sent to illustrate the actual transfer of a considerable

amount of freight traffic from the freight business to the parcel post. At the small station of Reno, Nev., in the last 12 months we handled 2,507 tons of parcel post, a daily average of 7 tons; and 99 per cent of that traffic is business which was formerly handled in freight trains and transferred to stage lines going to various mining centers. The parcel-post rates are so low that all of that business has been taken out of the freight traffic and put on to the passenger trains.

I have some photographs, if you would like to see them, showing the nature of the traffic.

The letter referred to is as follows:

SOUTHERN PACIFIC CO.,
San Francisco, Cal., March 13, 1916.

MR. W. A. WORTHINGTON,
Vice President Southern Pacific Co., 165 Broadway, New York.

DEAR SIR: I find upon investigation that during the 12 months ended February 29, 1916, 2,507 tons of parcel-post mail, or a daily average of nearly 7 tons, were handled by our station force at Reno, Nev. About 75 per cent of it was carried out of Reno on train No. 24, which runs on the Southern Pacific, Reno to Mina, Nev., and on the Tonopah & Goldfield Railroad to Tonopah and Goldfield, Nev.

Fully 99 per cent of the parcel-post mail carried on train No. 24 was destined to points located a considerable distance from the railroad, principally for Bodie, Bridgeport, and Mono Lake, Cal., and Aurora, Nev., supplied by star-route mail service from Thorne railroad station; Rawhide, Nev., supplied from Schurz railroad station; and Round Mountain, Manhattan, and Belmont, Nev., supplied from Tonopah, Nev.

This parcel-post mail originated principally at Reno, Nev., and Sacramento, Cal., the star-route offices mentioned being within the second zone from both Reno and Sacramento.

Fully 75 per cent of the parcel post in question is from wholesale merchants to retail merchants, and consists of the usual class of merchandise carried by retail merchants.

I can not find that the use of the parcel post for these shipments, which greatly reduce the transportation cost, as compared with the railroad freight and teaming rates, has resulted in any reduction in the cost of the merchandise to the consumer. In other words, these parcel-post shipments to retail merchants have not reduced the cost of living, which was one of the principal objects it was thought the parcel-post law would accomplish.

I herewith inclose photographs of two truck loads of the average character or class of the parcel post, taken at Reno, Nev., March 10, 1916. One photograph shows the packages and bags on trucks, and the other photograph the same articles stored in baggage car on train No. 24. This shipment consisted of boxes of apples, oranges, canned goods, tobacco, crackers, butter, mixed groceries, sacks of bread, flour, rice, dried meat, cartons of eggs, bread, sausage, and kegs of pickles and butter, and serves to demonstrate the class of goods that, even under the 50-pound weight limit, has been diverted from freight trains to parcel-post mail on passenger trains.

The quantity of the parcel-post mail dispatched from Reno fluctuates daily, running from 2 or 3 truck loads to as high as 20 truck loads, weighing 18 tons, necessitating an additional baggage car. Practically the same conditions exist at Sacramento and Marysville in the matter of shipment of merchandise by parcel post to the mining sections of northern California not reached by railroad.

We have handled on the Southern Pacific shipments of parcel post in from 1 ton to practically a carload of the following commodities: Grain, flour, sugar, cement, coal.

Yours, truly,

H. P. THRALL,
Mail Traffic Manager Southern Pacific Co.

Senator SMITH of South Carolina. Your passenger business to Reno has been right steady heretofore, has it not? [Laughter.]



PARCEL POST MATTER IN BAGGAGE CAR, ON TRAIN No. 24, RENO, NEV., MARCH 10, 1916.

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TRUCKS LOADED WITH PARCEL POST MATTER, RENO, NEV., MARCH 10, 1916.

Mr. WORTHINGTON. The traffic referred to is canned goods and like freight. This letter says that fully 99 per cent of the parcel-post mail carried on train 24—that is one of our trains on the Tonopah line going to the Goldfield district—was destined to points located a considerable distance from the railroad, principally for Bodie and a number of other mining centers, the names of which I will not read—there are about 20 or 30 of them.

This parcel-post mail originated principally at Reno and Sacramento, Cal., the star-route offices mentioned being within the second zone from both Reno and Sacramento. Fully 75 per cent of the parcel post in question is from wholesale merchants and retail merchants and consists of the usual class of merchandise carried by retail merchants.

I can not find that the use of the parcel post for these freight shipments, which greatly reduce the transportation costs as compared with the railroad freight and teaming rates, has resulted in any reduction in the cost of the merchandise to the consumer.

That traffic was not diverted from the express service, for the reason that express rates would prohibit its transportation on passenger trains. I would also say as to all express rates, we have a provision in our express contract that the express company shall not charge less than one and one-half times the first-class freight rates, which absolutely prevents the transfer.

CONCLUSION.

In closing, I would like to again call to your minds a brief review of the objections I have made to the space plan. These are those not incident to the opportunities for unfairness and discrimination in its administration, objections to the "not exceeding" phrase, and the objections to other details of the bill which will be covered by other witnesses.

1. The space plan inaugurates a rate system at the beginning too low to give the railways a fair return upon their investment, and the underpayment will continue as traffic and carloading increases.

2. Through the tendency to transfer to mail-service traffic now handled as express or freight, railways would be deprived of revenues now received on such traffic and would get nothing when this traffic is accommodated in existing mail space.

3. For performing merely terminal services, the Post Office Department would retain all of the revenues from parcel post or would pay only a small part of them to the railways, making possible parcel post rates far below those charged for other classes of railway service.

4. The opportunity will be presented of unduly and even unsafely loading passenger trains with traffic that really should go in freight trains, thus imperiling their schedules and discommoding the public.

5. A space payment, even if adequate for present carloads, would be too low when loads are increased. No opportunity would be given the railways to overcome the constantly increasing operating cost per car-mile by securing greater revenue per car-mile from the greater carload.

6. The space plan affords no opportunity to offset higher cost of passenger cars and increased weight due to substituting steel for

wood and to offset the increased cost and power of passenger locomotives moving the heavier trains. The present revenues are far too low for present service.

7. In brief, I believe no more unjust measure to the railways has ever been before Congress. The railways are willing to sell the Post Office Department all the space it requires in railway cars on fair and equitable terms, but are unwilling to give any of this expensive passenger-train service to the department for nothing.

The railways can not feel that they have been fairly treated in the operation and advocacy of the space basis, which, as framed, is wholly against their interests and in favor of those of the Post Office Department. Their requests to have the weight taken into account, in fixing the payment have been ignored. We feel compelled, however, to continue to urge the continuance of the weight basis with annual weighings and apartment-car payment; and, in any event, we respectfully urge that Congress, before taking the radical action proposed, will at least grant our request that the views of the Interstate Commerce Commission be obtained in advance.

I wish to file this letter, dated March 20, 1916:

SOUTHERN PACIFIC CO.,
New York City, March 20, 1916.

HON. JOHN H. BANKHEAD,

*Chairman Senate Committee on Post Offices and Post Roads,
United States Senate, Washington, D. C.*

MY DEAR SIR: In connection with the hearing granted the railways with reference to the proposed legislation affecting railway mail pay, I beg to present for the earnest consideration of your honorable committee the exceptional injustice the passage of the so-called space plan would inflict upon the Southern Pacific Co., or, indeed, upon any road operating in the far western territory.

The cost of operating railways on the Pacific coast is considerably greater than in the East, and greater than the average cost for all railways in the United States. To enter California on any one of our main lines from the north, east, or south traffic must be lifted over heavy mountain grades, and the living cost for these lines, as reflected by the prices of wages and material, is the highest in the land. For example, the average wages paid railway employees of our Pacific coast lines amount to \$953 per man per year, while for the United States as a whole, according to the last published statistics of the Interstate Commerce Commission, the average is only \$807. The wage scale on the Pacific coast is therefore 18 per cent higher, which is a matter of great importance, as wages represent two-thirds of the railway operating expenses. Material is also much higher, as rails, material for equipment, repairs, etc., must be transported long distances from eastern markets.

As an offset to the higher operating costs on the Pacific coast our revenues from traffic other than mails average somewhat higher per mile of service than the average for the country at large. We pay especial attention to the matter of car loading, and the revenues per car-mile from the different classes of traffic average as follows:

For passenger traffic proper, excluding mileage of baggage, mail, express, and dining cars, 35 cents per car-mile.

For passenger traffic proper, including mileage of baggage and dining cars, 30 cents.

For express traffic, 29 cents.

For freight traffic, including empty cars, 16.3 cents per car-mile, or the equivalent of 27 cents for 60 feet of car space.

It is now proposed, under the space legislation, to pay the Southern Pacific Co. not exceeding 21 cents per 60-foot car-mile, with a small payment for terminal service, which, as our hauls are long, will not increase the average payment to more than 22 cents. Thus for a mail car moving on a fast passenger train we would be required to accept about 70 per cent of what we obtain from other passenger traffic and about 80 per cent of what we receive for an equivalent space in freight trains. Under the present law we receive the same

rates per ton for handling mail according to density of traffic as prevail on other railroads in the United States. The loads in our mail cars, however, average considerably higher, the average, for example, on our principal mail route from Ogden to San Francisco being 6.34 tons per car. Therefore, through heavier and more economic loading, we have been able to secure additional compensation from mail traffic as an offset for the higher operating cost of our lines. Under the space plan, however, as our carload is larger than the average, we will, in accepting the same pay per car-mile as other roads, be required to give the Post Office Department greater service for each dollar of compensation than is given by the average road. We will be paid a less amount per ton-mile of mail traffic than the average road, notwithstanding that our operating costs per unit of traffic are far higher than the average.

It is inevitable that the result of the space plan, unfair as it may be to the railways of the United States generally, would be outrageously unjust in its application to the revenues of the Southern Pacific Co.

We have had a careful estimate made of the effect of the space plan on the present mail revenues of our Pacific coast lines, which under the last weighing amount on the weight basis to \$2,269,778 per annum. Under the space plan this compensation would be reduced without considering any retrenchment of space by \$397,774, or 17 per cent.

This would be the initial reduction. We would have permanently in effect a space pay per car-mile far below the amount received for other classes of passenger cars, or even for the average freight traffic, and would suffer the further reduction of receiving nothing for the increased load, which might be placed in the present mail space, although much of this might represent traffic transferred from express or freight, the present earnings upon which we would be deprived of without recompense.

On the single mail route between Ogden and San Francisco, a distance of 782.14 miles, we now carry 17,421,195 ton-miles of mail annually, for which we receive \$1,101,656, or 6.32 cents per ton-mile—certainly not an unreasonable payment for the highest class of passenger train service. Under the space plan the pay on this route would be reduced \$316,000, or 29 per cent.

On this Ogden route we operate a fast mail train, the schedule of which is four hours faster than the average passenger train. This mail train carries a daily weight of 87,698 pounds of mail out of Ogden and 74,331 pounds over the entire route. This tonnage is carried in four cars, although occasionally an extra storage car is added. The ton mileage moved per annum on this mail train is 10,611,293. The mail carried by it yields on the weight basis a revenue of \$645,831 per annum. On the space basis the mail revenue from this train would be reduced to \$245,834, or \$368,751, if we credit to the train the full revenue of empty storage cars returning, although, of course, the department would have the privilege of using these cars for other traffic and would certainly place in them empty mail bags now returned through the Panama Canal or by freight, it also being possible to waive the charge for empty cars by mutual agreement.

Thus the pay on this train itself would be more than cut in two, and we would be paid for transporting mail upon it the ridiculously low rate of 2.32 cents per ton-mile. This rate would be increased to 3.47 cents per ton-mile if, nothing was placed in empty storage cars returning and we were paid for them, but it would be decreased largely if advantage is taken, as it undoubtedly would be, of the privilege of using the unoccupied space for additional weight without increased payment.

We are now receiving a payment of \$2.26 per train-mile for this special mail train, or about the same as we receive for the average passenger train run between the same points. Under the space plan, we would receive for the operation of the special mail train less than 90 cents per train-mile, which is an amount wholly insufficient to compensate us for the movement of any kind of a train. Assuming it might be physically possible to discontinue the special mail-train service and distribute the mail cars to other passenger trains, this, while more economical to us, would impair the service to the public and tend to overload the other passenger trains so that their schedules would have to be lengthened and the convenience of passengers seriously affected.

The cost of railway operation has been constantly increasing through higher wage schedules and higher prices for material, and in passenger service through the substitution of steel for wooden cars. In the express service and in the passenger service proper, we have an opportunity of overcoming the

higher operating costs through receiving larger sums when carloads are increased. We may do the same in the mail service under the weight basis, but not under the space plan. Our revenues from mails are now insufficient, but we have cherished the expectation that the growth of mail traffic will bring with it a better carload and improve our revenues per car-mile to make them more commensurate with the cost of the service. Instead of this, however, there is under consideration a space plan of payment fixing an inflexible amount per car-mile, which will at once greatly reduce our present mail revenues. Starting with a payment largely inadequate and below what we are receiving from other classes of traffic, we will be required to turn over, as a gratuity, the unused space in mail cars available for growth of mail traffic. The Post Office Department will collect from the public the usual rates for this traffic according to its weight, and will oblige us, so far as the business may be accommodated in existing space, to transport it without a cent of payment. It is difficult to conceive of a more unfair and more unreasonable proposal, and in presenting the situation to your honorable committee we feel very hopeful we will receive your support in opposing the illogical and unjust space legislation.

Yours, truly,

W. A. WORTHINGTON.

The CHAIRMAN. Are there any questions you desire to ask, gentlemen?

Senator MARTINE. You speak of the cost, the burden to the road—the increased burden due to substituting steel for wood. Now, is it not a fact that that substitution is a matter of saving, rather than cost, increased cost, and does it not lessen your burdens in the case of accident and general deterioration?

Mr. WORTHINGTON. I think it is true, Senator, that the risk in case of accident is much in favor of the steel car, and that is the sole reason, in my opinion, that justifies the substitution of steel for wood. So far as the cost is concerned, however, the cost of the steel car is far greater than the cost of the wooden car.

Senator MARTINE. But isn't it more lasting, and in case of accident it is not entirely destroyed? It may be battered a little out of shape, but it is not entirely destroyed.

Mr. WORTHINGTON. The life of the steel car has not been proven as yet. It has not been in use a long enough time. But the greater expense for the steel car is not so much the cost, but the increased weight—the cost of hauling it around in trains. That is what has caused the necessity of purchasing very much more powerful passenger locomotives.

Senator MARTINE. Well, isn't there a matter of economy in that, as well as in the matter of being able to carry longer trains? The handling, the train force, would not be much increased by a train of 10 or 20 cars than it would over 5 or 6 cars, so there is something in that, is there not?

Mr. WORTHINGTON. But we have to give service to the public. We have to run as many trains with the steel cars as with wooden cars.

Senator MARTINE. But I say you can carry longer trains in general transportation with a heavier locomotive than with a lighter one, can you not?

Mr. WORTHINGTON. We could, but the facts are we do not, because the increase in the weight of the car is practically in the same proportion as the increase in the weight of the locomotive, so if we are carrying five wooden cars with a small locomotive and five steel cars with the larger locomotive, the ratio of the weight of the locomotive to the train is the same, and it is much more expensive to operate.

Senator MARTINE. That is, as a general proposition is much more expensive?

Mr. WORTHINGTON. Yes, sir.

Senator SMITH of South Carolina. Touching this space question, I want to ask this question: Does this proposed legislation prohibit the use of the space not used by the postal matter in the space paid for by the Post Office Department? In other words, if they have a car contracted for, 60 feet of space, and they do not use it, if you are starting out on a trip, are you prohibited from using any of the space contracted for by the Government that they do not use?

Mr. WORTHINGTON. Why, we are practically. In the case of the post-office cars the space is largely taken up with the post-office fixtures and the space for clerks working. We are prohibited from using it as a practical thing.

Senator SMITH of South Carolina. Could you use it if you wanted to?

Mr. WORTHINGTON. We could not.

Senator MARTINE. I thought the gentlemen who preceded you made the statement, in response to nearly the same question—or practically the same question—that they did use it for express purposes.

Mr. WORTHINGTON. I think the case you refer to, Senator, was the apartment car, in which the car is constructed so that 30 feet of it, say, represents practically half of a railway postal car, and that 30 feet can not be used for any purpose but the transportation of the mails. The remaining part of the car not turned over to the Government at all can be used for baggage or express.

Senator MARTINE. You spoke something about there not having been an increase in passenger rates. Isn't it quite generally true that passenger rates have been increased?

Mr. WORTHINGTON. In some places.

Senator MARTINE. They have been increased a fair percentage between Washington and New York.

Mr. WORTHINGTON. The Federal Government, however, has no control over a large part of the passenger rates.

Senator MARTINE. I am only saying they are increased, and the result to the body politic is that they pay a little more money.

Mr. WORTHINGTON. But the computations of the joint congressional committee date back to 1909, before the increases were made, and I think if another computation were made to-day of the earnings per car mile it would be higher.

Senator TOWNSEND. It has been suggested a good many times, Mr. Worthington, that the mail-weighing period should be annually instead of quadrennially. Would the railroads be willing to pay that expense of weighing, or any considerable portion of it, if the weight method were retained?

Mr. WORTHINGTON. I feel sure the railroads would be willing to pay all of the expense of physically weighing the mails if they could receive annual weighings in return for it.

Senator VARDAMAN. It has been stated here that they would.

Mr. WORTHINGTON. Providing, of course, it is conducted as outlined in the Lloyd bill. I think myself the weighing could be done much cheaper than it is at the present time with equally as good

results by enlisting the cooperation of the railway employees at stations without securing additional help.

The CHAIRMAN. Have you any means of knowing or estimating the degree of accuracy—what the cost of weighing would be?

Mr. WORTHINGTON. I think the annual weighing, if restricted to a period of 30 days, could be done within the amount which is now spent for the quadrennial weighings.

The CHAIRMAN. You mean to say you could have four weighings for what you now get a quadrennial weighing? You could get a weighing annually for that money?

Mr. WORTHINGTON. There is no question about it.

Senator MARTINE. I see here in this report, page 48—I recall my friend now. You have heard Mr. Mack's statement regarding the rate, as to the railroads weighing the mail and doing the weighing themselves, which you thought would be generally approved, without charge. You echo those sentiments still?

Mr. WORTHINGTON. Yes, sir; I do.

Senator VARDAMAN. Mr. Chairman, can we finish the hearings this afternoon?

The CHAIRMAN. This gentleman, I presume, is through.

Senator VARDAMAN. I have got some work I am compelled to do this afternoon, but I presume you can have the hearing without me.

Senator SMITH of South Carolina. Mr. Chairman, I would like to have it clear in my mind—I guess I can do it by a study of the bill—I would like to know whether the space contracted for by the Government for the general post office building—in reading this bill, you say that the space contracted for by the Government would prohibit your use of it for anything else except for the carrying of the mails?

Mr. WORTHINGTON. Absolutely.

Senator SMITH of South Carolina. That is very essential to know, because that question was asked before and was not answered clearly.

Senator CATRON. Has the Government got to pay for that space whether you carry anything in it or not?

Mr. WORTHINGTON. The Government does not pay for any space now, but under the bill the Government would pay for the space which they authorize.

Senator CATRON. Whether they carried anything in it or not?

Mr. WORTHINGTON. There is a provision in the bill as to cars returning empty, that pay shall be made for those cars except by mutual agreement, or those cars can be used for such matter as empty equipment and other things which the department are returning by freight trains; or, of course, it could be used for other traffic which may be developed in the opposite direction.

Senator CATRON. At the option of the railroad?

Mr. WORTHINGTON. Entirely at the option of the department.

Senator CATRON. Take your road out in California, what has been the annual increase, if you know—or, if you could judge—since the last weighing, or between the time of the last weighing and up to the time for a new weighing? Take four years' time, what has been the annual increase after the weighing has been made?

Mr. WORTHINGTON. I really could not answer that question, Senator. I have not the figures in my mind. I know that the increase

at the last weighing was very large. To illustrate the effect of the quadrennial weighing compared with the annual weighing, when before the Joint Congressional Committee I submitted a chart showing, for all the western roads, that from 1878 to 1912 the loss through the quadrennial weighings amount to about 12 per cent of the amount actually received. I think that is far in excess of the average for the United States, because the western country grew very much faster than the average of the country.

Senator CATRON. It was stated here by a previous witness, I think, Mr. Peters—I do not know whether I understood what he meant—that they shipped whole carloads in 48-pound lots. Do you mean that one man can ship a carload by putting 48 or 50-pound boxes in the car, filling it clear up, and paying for it at parcel-post rates?

Mr. WORTHINGTON. That could be readily done. An entire car could be loaded that way under the space plan. I might say it is done to-day, not parcel post alone but parcel post and second-class matter is being loaded into our storage cars, so that those cars leaving Ogden have an average tonnage in them of 15 tons. Under the space plan, on our present traffic to start with, that would pay 21 cents a car-mile. That means that we would receive on what we are carrying in our mail trains in storage cars the munificent sum of 1.4 cents a ton-mile. Our present first-class freight rate is nearly 4 cents between those same points.

Senator CATRON. Then you could send a whole carload of freight in that way cheaper than you could send it by freight?

Mr. WORTHINGTON. Very much.

Senator HARDWICK. That is what they are doing, are they not?

Mr. WORTHINGTON. Yes, sir; they are doing that right now. They are sending coal that way.

Senator TOWNSEND. Coal is not first-class freight.

Mr. WORTHINGTON. No; coal is low-grade freight, generally covered by a commodity tariff.

Senator TOWNSEND. Could a shipper afford to pay the parcel-post rate on coal, instead of shipping it by freight?

Mr. WORTHINGTON. I do not think there would be any large quantity of coal transported.

Senator TOWNSEND. It would cost more to do it, would it not?

Mr. WORTHINGTON. Coal in freight cars has the lowest freight rate, but there would be a large quantity of other traffic transferred.

Senator TOWNSEND. Now, cement; they could not afford to ship cement in 48-pound packages by parcel post, could they?

Mr. SWOBE. There are places in California where parcel-post rates are so much lower than any freight rate that it would divert all kinds of traffic, cement, coal, and everything of that kind.

Senator TOWNSEND. The parcel-post rate is lower than the freight rate?

Mr. SWOBE. Yes, sir.

Senator VARDAMAN. What things would come in that category?

Mr. SWOBE. Practically everything except large, bulky freight.

Senator VARDAMAN. Now, for instance, a man ships coal that way. I apprehend that is only where it is a small, a very small quantity that is to be used for some particular purpose, not for general use.

Mr. SWOBE. Oh, yes. I have some comparisons, comparing freight rates with the parcel-post rate, which I think will show you it is possible.

Senator MARTINE. In order to ship coal it must be put into bags, must it not?

Mr. SWOBE. Yes.

Senator MARTINE. That would involve considerable handling, and no great amount would be sent that way, would there?

Mr. SWOBE. All that is used in the localities.

Senator VARDAMAN. What is it used for?

Mr. SWOBE. That is blacksmith coal.

Senator VARDAMAN. In remote country places?

Mr. SWOBE. Yes.

Senator CATRON. When it is shipped that way you have to deliver it?

Mr. SWOBE. Yes, sir.

Mr. WORTHINGTON. I think you can see, gentlemen, that would apply quite generally to mining towns not reached by railways. Formerly freight of that kind had to be moved by the railway to the junction of the stage line, which imposed an additional charge to take these freights to the mining towns. At the present time the parcel-post rates to the public are lower than the combined cost of the railway's freight rate and the stage charge. And it is a fact, as I showed you in Mr. Thrall's letter, that business has grown up at one station to 2,500 tons a year of traffic that was taken out of the freight service. Under the space plan that traffic would be enormously increased. It is bad enough the way it is now.

Mr. MACK. The star-route haul—if I may mention it here—the star-route haul on some of that 50-pound parcel-post freight is as much as 150 miles back from the railroad, and a common rate is charged for it. The railroads do not make a common rate and then deliver it back into the country, 150 miles in the country—in the mountains, for instance—and it undoubtedly costs the Government a great deal more—I suppose three or four or six times as much—to handle that stuff as they get out of it, because the Government has to make that special arrangement for the haul away from the railroad station.

Senator VARDAMAN. Don't they usually ship the commodity in bulk and then ship it by parcel post or the star route?

Mr. MACK. No, sir; not this kind of parcel post. This is not like periodicals that they transship by freight from other points. In other words, it is the star-route haul that attracts this business and gets it for the Government.

Senator CATRON. Do you get mail in California as cheaply per ton as they do over the Baltimore & Ohio and the Pennsylvania roads and the roads further east?

Mr. WORTHINGTON. We carry it at exactly the same rates per ton-mile.

Senator CATRON. You get no more out there than they do?

Mr. WORTHINGTON. No; but we have this difference in conditions: We carry more tons in the car, for example, on our principal route, which is the one from Ogden to San Francisco. We carry in the

average car $6\frac{1}{2}$ tons of mail, about. And on the space plan, if we are paid the same amount per car mile as another railroad that carries 2 to $2\frac{1}{2}$ tons of mail in the car, we will be receiving one-third as much per ton-mile on that route. That is highly objectionable and unjust as between different companies. There is no question about that. In other words, we would be rendering three times the service as other roads getting the same pay we are per car mile.

The CHAIRMAN. We are very much obliged to you, Mr. Worthington. Who is your next speaker?

Mr. PETERS. Mr. H. E. Mack, manager of mail traffic, Missouri Pacific Railway Co., of St. Louis, Mo.

The CHAIRMAN. We will hear you now, Mr. Mack.

**STATEMENT OF MR. H. E. MACK, MANAGER MAIL TRAFFIC,
MISSOURI PACIFIC SYSTEM, ST. LOUIS, MO.**

Mr. MACK. The Post Office appropriation bill (H. R. 10484) which passed the House February 28 and was reported in the Senate February 29, and is now under consideration by your committee, contains under the last section, No. 16, what might be called the 1916 Moon bill, for convenient reference, having 13 pages of new and radical legislation on the subject of railway-mail pay, as it provides for changing from a basis of weight and space to a space and terminal method of mail pay. It is different in a number of essential respects from the bill which passed the House and was before your committee last year, which was then a space, weight, and terminal bill, the differences being as follows:

MAIN DIFFERENCES BETWEEN THE MOON BILL AS IT PASSED THE HOUSE DECEMBER 29, 1914, COMPARED TO FEBRUARY 25, 1916.

Moon bill, December 29, 1914.

60-foot postal, 21 cents.
Combined initial and terminal, single trip, \$4.
30-foot apartment, $10\frac{1}{2}$ cents.
Combined initial and terminal, single trip, \$2.
15-foot apartment, $5\frac{1}{2}$ cents.
Combined initial and terminal, single trip, \$1.
Storage car, 20 cents.
Combined initial and terminal, single trip, \$4.
Storage and baggage car service at storage-car rates, except closed-pouch service, when no R. P. O. or apartment cars on train, in which case weight basis prevails, with annual weighing. In case apartment car on train, baggage-car mail at \$20 per thousand; in case R. P. O. and apartment and baggage car mail, \$19 per thousand.

Moon bill, February 25, 1916.

60-foot postal, 21 cents.
Combined initial and terminal, single trip, \$4.25.
30-foot apartment, 11 cents.
Combined initial and terminal, single trip, \$2.75.
15-foot apartment, 6 cents.
Combined initial and terminal, single trip, \$2.
Storage car, 21 cents.
Combined initial and terminal, single trip, \$4.25.
Baggage-car mail on space basis pro rata, except on closed-pouch routes:
7-foot unit, 3 cents.
Combined initial and terminal, round trip, \$1.
3-foot unit, $1\frac{1}{2}$ cents.
Combined initial and terminal, round trip, 50 cents.

All rates named qualified by provision "not exceeding" leaving them to be fixed by the Postmaster General.

Mr. MACK. The present bill, while mentioning the Bourne rates, has a provision "not exceeding," and is different in many important particulars from the Bourne space bill, as follows:

ESSENTIAL POINTS OF DIFFERENCE BETWEEN 1916 MOON BILL, PASSED HOUSE FEBRUARY 28, 1916, AND THE BOURNE BILL, INTRODUCED IN SENATE AUGUST 25, 1914.

Bourne Bill.

Fixed rates, both line and terminal.

Fixed units of space.

Railroads not required to perform side or terminal service.

Railroads required to provide reasonable station space for transfer of mails and for offices and rooms for employees engaged in such transportation.

Not more than one apartment car permitted on a train.

Restricts transportation to clerks handling mails in cars and to inspectors and supervisors of Railway Mail Service in administration of such service.

Has short-haul clause.

Provides "that authorizations may be changed only at points where the switching of cars into and out of trains will not delay the running of such trains."

Permits department to contract for fast mail trains at rates not exceeding those named.

1916 Moon bill.

Line rates "not exceeding" maximum stated.

Terminal rates department may "allow" "not exceeding" maximum stated, to be varied approximately, according to difference in cost of construction of cars, etc.

Higher rates in exceptional cases permitted by a separate paragraph.

Units similar, except in baggage cars, which have no fixed unit if mail cars or apartment cars are on a train.

Requires railroad companies to carry mail between post offices and stations, side, and terminals, without any limitation of distance, in discretion of Postmaster General.

Present regulation requires service only within 80 rods at intermediates.

Railroads required to provide station space for distribution and transfer of mails, and for offices and rooms for employees engaged in such transportation.

Railroads required to carry, on any train operated, agents and officers of Post Office Department and Postal Service and postal employees, on official business, and railway postal clerks traveling to and from duty.

Authorizes Postmaster General to distinguish between the several classes of mail matter and provides for less frequent dispatches of third and fourth classes and periodicals when economies can be secured; also to petition I. C. C. for postal carload or less than carload rates of fourth-class mail.

Permits Postmaster General to make deductions from pay of railroad companies carrying mails "for reduction in service or infrequency of service where, in his judgment, the importance of the facilities withdrawn or reduced requires it."

NOTE.—Not understood, in view of fact that another section provides for reduction or discontinuance of service, provided the service be reduced or discontinued with pro rata reduction in pay.

Mr. MACK. Attention is called to these differences, because during the debate in the House there appeared to exist on the part of some Members the idea that the bill which was under consideration was similar to the Bourne bill. The railroads of the country, both large and small, oppose both bills, because they change the principal basis of compensation from weight to space for reasons which will be stated further on.

A matter for consideration in connection with this proposed legislation perhaps is that there seems to be no public demand for it at all, but on the contrary there is the universal protest of every big and little railroad because of the vital transportation principle involved. Commercial bodies familiar with weight as a customary and standard measure of transportation also are opposing it, apparently believing that the Government should pay fully for mail transportation, so that their shippers will not have to make up any deficiency.

"NOT EXCEEDING" PROVISION.

The first phase of the question to which I would like to allude is the provision for "not exceeding" certain rates. So far as rates either for line or terminal service are concerned, I am within the bounds of strict accuracy in saying that there are none in this bill. There are certain paragraphs stating "not exceeding" certain rates as to line pay and also as to terminal pay, further qualified by the term "may allow," and in this respect, referring to page 40, lines 12 to 16, there are certain factors to be considered in the amounts to be allowed. To meet the just objections of the short lines there will be found on page 41, lines 9 to 14, a provision for the payment of higher rates, so that therefore instead of the bill fixing rates there is plainly a delegation of the most complete power and without limitation. It may be well to interpret this provision on page 41, permitting higher rates, the language of which is as follows:

The Postmaster General is authorized to make special contracts with the railroad companies for the transportation of the mails where in his judgment the conditions warrant the application of higher rates than those herein specified and make report to Congress of all cases where such special contracts are made and the terms and reasons therefor.

The general provisions of the bill require compulsory service, but this paragraph not only permits the Postmaster General to pay higher rates, but to take such roads out of the control of the general provisions requiring compulsory service under penalties and make special contracts with them and report to Congress the terms and reasons therefor. It may be that in some cases the roads would not be bound either as to conditions of service or the general provisions of the bill any more than as to rates. Without any guidance or limitation in the law we can not foresee what the governing factors would be in the action of the Postmaster General under this provision. Undoubtedly the general provisions of this bill would seriously injure the short line railroads, upon which baggage-car mail only is carried. I have made a rough calculation on routes of this character on one of our lines and 21 routes show a decrease in compensation of 46.84 per cent. Under existing law the Post-

master General could give some relief to these short-line roads by a daily or an annual weighing. In fact, with heavy parcel post 50-pound packages they should really be waybilled and paid for actually instead of on an average basis so far as the railroads are concerned.

Is there any reason to suppose that the short lines would get relief under any new discretionary law when existing law will permit relief to them by more frequent weighing and they do not get it? It would seem that this provision is an acknowledgment of the failure of the general bill itself to meet service conditions; and the House is placing upon the Postmaster General a responsibility which should be defined in the law. There are about 1,300 short lines in the country which would be affected as I have just described. More than two-thirds of the routes are light-weight routes, carrying less 3,000 pounds.

In the matter of messenger service we have found that the Post Office Department has made exceptions in favor of some independent short lines under certain circumstances, but has not adopted a general rule that will apply to the short-line routes on large systems, but applies to the independent short lines only, and they only in certain cases.

When the question was raised in the House, reference was made to the fact that the present law uses the term "not exceeding," and the idea conveyed was that maximum rates are paid under existing law, and leaving the inference to be drawn that they would be paid under the proposed law. I quote from the Congressional Record, page 3733:

Then if these gentlemen will do that, and he will stop to consider those rates have always been permissive, and no Postmaster General, not even the present Postmaster General, in the history of the Post Office Department has ever attempted to assume the responsibility of paying less than the maximum rate.

The Post Office Department will not confirm this statement as being accurate, because less than the maximum rates have been paid by specific arrangement.

The Government has continued in the celebrated divisor case that it has the right to pay less than the maximum. Forty million dollars are now involved in litigation on this very point.

The railroads also had a very sad experience in the application by the department of the limitation "not exceeding" in the 5 per cent compensation act, where the railroads did not receive 5 per cent. The Postmaster General did not pay the maximum here.

The insistence of the Post Office Department and the chairman of the House committee upon the language "not exceeding" has been so continuous that it can not be assumed that the maximum would be paid. If the department desired to so pay, and the House intended it should be paid, the maximum rates could have been made definite.

Congressman Black, in his remarks upon the bill February 14, indicated that it placed a desirable provision for the administration of the law, so as to permit equalization of the rates between longer and shorter lines; and that, in a given case which he cited, the Government would have to pay 12.93 per cent more for the same service if the rates were fixed. It is of course not necessary to delegate complete power as to rates to meet simple competitive conditions of

this kind. I do not doubt but that if definite rates were stated in the bill that railroads in cases like this would be compelled—as they are now on longer lines and on nongrant lines—to accept lower rates, and it would be legal for the Government to pay less. I do not know, of course, what the attitude of the present Postmaster General would be as to the rates which he would fix under this delegation of power, but we do know that postmasters general change from time to time, each having his own individual view; and in the years to come this discretion could be exercised by future postmasters general according to their own views until such time as there might be a change in the law. Legislation should of course be constructed with the future in mind as well as the present.

It is a sound and economic principle that rates should be fixed and definite. It would be thought ridiculous for any other shipper to pay what he might choose for transporting his goods, and no one would think of suggesting that the postage rates themselves should be changed or qualified by “not to exceed” what the sender of a parcel-post package would pay; and yet there seems no more reason why the Post Office Department should have the power to fix its own rates for transportation service that it desired to be performed by the railroads.

STATION SPACE FOR DISTRIBUTION.

One of the provisions of the bill is in reference to office space, page 43, lines 7 to 10, which reads as follows:

They shall provide station space and rooms for handling, distribution, and transfer of mails in transit and for offices and rooms for the employees of the Postal Service engaged in said transportation when required by the Postmaster General.

It may be considered a reasonable transportation function for the railroads to provide necessary space at railway stations for the care of closed mails in transit, which have been received on arriving trains and are retained for dispatch to departing trains. Where the Government has transfer clerks at the station, who are obliged to supervise the handling and transfer of such mail, there could be no objection to a reasonable amount of office space for the clerks engaged in such supervision at that station. As to space for distribution, that is, however, an entirely different matter. The department some years ago demanded free space for distribution of certain mail in certain railroad stations, and it was objected to; now, it seems, with very good reason at that time. The inauguration of the parcel post has brought about a change in the method of distributing mail, and the Post Office Department is cutting down distribution in full postal cars on trains and having this distribution performed in what are known as terminal railway post offices, securing rented space for this distribution in a great many railroad stations. An appropriation of \$606,723 is provided in the appropriation bill under discussion for this purpose. If this provision should become a law the Post Office Department would simply cut off the pay for terminal railway post offices in railway stations where they now exist and demand space for post-office distribution in stations throughout the country at will, the bill fixing no limitation whatever upon the

space that might be required and providing no compensation for such space. There is no theory that it is paid for in the line rates, and the description of what the terminal rates are intended to provide for does not include any service of this kind. And obviously, from the rate itself and the combined results of the rates, compensation is not provided for.

The only distinction between what the department has paid for in the past and that which is now paid for is the size of distribution room in which mail distribution is done. The work is identical in both. I will illustrate. At the new Union Station at Kansas City, giving you the square-foot area of the various spaces used by the Post Office Department, the space occupied by racks and letter cases and other facilities as a terminal railway post office, and paid for by lease, amounts to 17,174 square feet. That is the square-foot area. The distributing room for registered mail is 1,574 square feet. The space which is furnished for office and room for the transfer clerk and postal clerk is 426 square feet. The space which is used for the proper function of storing and transferring mail between trains and awaiting dispatch to trains is 14,200 square feet.

The two latter partitions of space may reasonably be considered part of the transportation service, but not the space for distribution, amounting to 18,748 square feet.

But it may be that the Post Office Department in suggesting this provision had no purpose to change from its existing views on the subject, yet the Second Assistant Postmaster General, who originally suggested the law, and who explained how he would interpret it, is not now in the Post Office Department. Legislation, it would seem, should be framed without regard to the construction which a contemporaneous officer might indicate would be his interpretation of it.

I do not see how conscientious officers under the language of this bill could continue for any space in railway stations for distribution. Its language, as you will notice, is plain, and the Attorney General would be obliged to place a construction upon the cold language of the law, and not upon an explanation of its purpose made by the former Second Assistant Postmaster General.

With a space plan of mail pay there would undoubtedly be much greater terminal distribution in railway stations, for reasons which will be indicated elsewhere. It is extremely desirable that at railway stations in important centers and large cities to have the postal distribution right at the railway station; to concentrate there for dispatch and have it radiate from there throughout the city for delivery. Transit mail through would then be combined with the local mail to advantage in distribution in many cases; but this is a subject which, in all reason, should be left open to contract and arrangement with the railroad company, which should have the privilege of deciding whether the space which they have at such stations can be spared for postal services of this kind. Then there should be an agreement as to rental, based upon the usual method applicable to leasing property. The rental would vary according to the location, business, and size of the city, and the general value of property in the city, and then again the location, as a sound business proposition.

MAIL MESSENGER SERVICE.

Now, as to mail messenger service, page 39 of the bill, lines 18 to 25, read as follows:

The Postmaster General may require railroad companies carrying the mails to deliver them into and take them from the terminal and intermediate post offices and transfer them between railroad stations on the routes without additional compensation, under such regulations as he may deem proper, in cases where he does not provide for such service otherwise: *Provided*, That the Postmaster General in his discretion may relieve any of the roads of such service.

At present the railroads are not required by specific law to carry mail between stations and post offices, either terminal or intermediate, but are doing it under regulation, with the limitation of 80 rods distance at intermediate points. At terminals there is no limitation to the distance, and we have as high as 1 mile terminal distance in some cases. The present regulation and practice require the handling only if agents are employed. The paragraph above quoted constitutes a specific statute without any limitations whatever as to the distance between post offices and stations or conditions of service, and does not provide any compensation for the service required. Such a statute, when it would come under construction and application, would probably be more onerous than the regulation of to-day. Public offices wishing to be above criticism usually feel obliged to favor the Government in interpreting the law quite differently from regulations which they themselves make and can themselves change. This particular law is broad enough to require the railroad companies to carry the mail between the post office and every station in the country. Now, they handle it at about six-sevenths of the post offices, and at the remaining one-seventh the mails are carried by contract made by the Post Office Department. The present bill provides in those cases for an appropriation of \$2,118,000. That appropriation could be wiped out, and under the provisions of this statute the railroads could be required not only to do the service they are doing to-day but to perform all of this service, including this one-seventh additional offices. They could also be required, in cities like New York, to provide automobile service.

In our judgment this is not a proper requirement of the railroad companies at all. They perform no service such as this for any other shipper. They perform no service beyond station limits, and there is probably some doubt as to whether even Congress could require the railroad companies, in the performance of compulsory service, to go off their own properties to do it.

SPACE NOT A PRACTICAL BASIS FOR MAIL PAY.

The principal feature of the new legislation is that providing a revolutionary change in the basis of mail pay from weight to space. In order to expedite I will go directly to the phase of the discussion which I have been asked by the committee to describe.

I am asked to discuss operating and administrative difficulties, and the effect upon the postal service sufficient, as we believe, to indicate that space is not adaptable as a general method of measuring the mail compensation. This is perhaps illustrated by the great variety of

plans upon a space basis that have been proposed at one time or another.

In the recent agitation the Post Office Department submitted four different plans, as explained by the joint commission. Each plan at the time of its presentation has been thought suitable and adaptable, but was found not to be so. If there had appeared to be a practical or fair plan on a space basis, the discussion, I am sure, would have been limited purely to the question of rates. It is of the utmost importance to the railroads in their daily work of transporting the immense volume of mail over the great mileage and train service of the country to have a practical working basis, a measure that is definite, certain, and exact, as weight is, instead of space, which, because of human opinion involved, is indefinite. If the railroads which have the mail service to perform—and I can say to you that all of the railroad officers who have direct supervision over mail service on the various railroads and who come in daily contact with the actual mail transportation, many of these gentlemen having had years of experience both on railroads and in the Post Office Department—concur in the views expressed here and heretofore on this subject as to the unadaptability of space as a measure of mail service. And they believe the same views are entertained by men of practical experience in the post-office service.

Space has been regarded by some as a very simple method, but I fear these gentlemen have not come in contact, to any great extent at least, with practical mail transportation. The question is not whether there shall be pay for a full car or a half car or a quarter car at all, as I think will be made plain as we go along.

On page 41, lines 6, 7, and 8 of the bill, will be found this governing provision:

Provided, That no additional space shall be allowed for additional service unless specifically authorized by the Postmaster General.

Senator Weeks, of the committee, in questioning Mr. Stewart, then Second Assistant Postmaster General, said:

Then the last part of it, the last two lines of that paragraph, simply means that you would retain the authority to pay the company for these transfers?

Mr. Stewart's reply was as follows:

Yes; that is absolutely essential in any scheme, because you can not, with justice to the Government, repose authority in many persons throughout the entire service in the field to authorize expenditure. You must have a central authority that reviews the whole situation and keeps in view at all times the appropriations and the expenditures.

You will, therefore, see that the Post Office Department would not—and in fact could not—permit officers in the postal service throughout the entire length and breadth of the land to spend Government funds without authorization from the central authority in Washington. There could otherwise be no check upon expenditures. This shows, therefore, that in practice a specific authorization from the Second Assistant Postmaster General, in the city of Washington, would be necessary before that space could be used on the train service throughout the whole country, with over 250,000 miles of railroad; and that it would take nearly two weeks in some instances for a mere exchange of communications, varying upon the desirability of space, to pass between the extreme western section of the country

and the city of Washington. The utter futility of any attempt to authorize space to meet the changing needs of the postal service from day to day ought to be apparent to anyone having the least familiarity with practical conditions. The mails fluctuate greatly under such ordinary conditions as the day of the week, the day of the month, and then very suddenly on account of late trains missing connections, storms, floods, railroad accidents, and it is beyond question that no one can tell until a train actually starts from the initial point what mail there will be to go by it, and it can not always be known even then, because in some cases, as trains go over the route, mail is put on at various connecting points, and there would be a greater load to be taken on at some intermediate points than at the initial point. The mail put off has to be taken into consideration as well as the mail taken on.

I would like to introduce into the record and explain briefly the actual situation in regard to baggage-car mail service between St. Louis and Kansas City and to show how fluctuating this mail is. For instance, in this sketch [showing] the black marks indicate the points where the mails are taken on; the red marks the point at which the mail is taken off. It shows that there is constant fluctuation as the train goes over the line. One day, for instance, there was no mail service at all between Booneville and Jefferson City, this space. Another day there was none between Washington and Osage City. And here are various lapses, as this space will indicate. And I hope your attention may be drawn to it when it is in the record, because it illustrates the usual fluctuation, showing that it is impossible for anybody to know what these fluctuations are going to be and authorize space from Washington. It could not be authorized from the city of St. Louis, where the train starts, because not until they get out on the road do they know what the mail is going to be.

Senator VARDAMAN. Couldn't that matter be determined by the general average of mail?

Mr. MACK. I do not think so; no, sir.

Senator VARDAMAN. Of course the Government will have to take a little more space. It would have to take the maximum space in order to have sufficient space all the time, but could that not be very well arranged?

Mr. MACK. I do not think so, and I think the Post Office Department itself has taken the position that on account of the fluctuating character that could not be done.

Now, then, if I may be permitted to explain regarding another important instance showing fluctuations of mail and how far-reaching they are—for instance, on the 11th of March the fast mail trains, on account of an accident just outside of the city of St. Louis, missed the fast mail trains out of the city. If there had been space authorized for what we might say the ordinary routine service, all of this mail would not have connected with the authorized space, but would have been held back. It was held back and 50 or 60 tons of it dispatched on entirely different trains. For instance, mail to the city of Denver, instead of going to Kansas City and thence to Denver on the Union Pacific, would go from St. Louis to Denver on the Burlington.

Senator VARDAMAN. Isn't that a matter of detail that could be very readily arranged to meet those contingencies? Could it not be

agreed that this space should be furnished to meet contingencies like that?

Mr. MACK. I do not think it is possible to do it, Senator, because no one knows when the missed connections will come and when these irregular conditions will occur.

Senator VARDAMAN. If the arrangement should be made, as stated by one of the gentlemen a moment ago—Mr. Searle, I believe—if the Government should have a car that usually carries 3 tons, with a capacity for 10 or 15 tons, why I think there would be plenty of room there to meet most any emergency.

Mr. MACK. But that car might not be in the right place. It might not be where this wail was.

Senator HARDWICK. You might have to pay for a good deal, too, if you got the maximum each time.

Senator VARDAMAN. I would think that would be true.

Senator TOWNSEND. I suppose you gentlemen would not object to it if the Government would pay for the maximum all the time?

Senator VARDAMAN. No; I reckon there wouldn't be any trouble about that.

Mr. MACK. The difficulty is in finding out what the maximum would be.

At this point I would like to mention with regard to the difference between average and maximum, and what loading means. Take the passenger cars. It is true the general results show average earnings of a certain amount, but if a party desires to get a private passenger car they are obliged to pay an amount equal to 20 first-class fares; and then if there are more than 20 persons in the car, they are obliged to pay the regular rate of fare for everybody in it. Now, that is true, of course, as every shipper of freight knows, with regard to freight. There is a minimum under which a car can be had for loading, but every pound of additional freight in that car is paid for at the same rate as the minimum amount is paid for, so that that represents what the idea of loading is and the value of loading to the Post Office Department under the theory of maximum, and paying for it an average rate.

Senator TOWNSEND. Let me interrupt you just a moment, Mr. Mack. You are very familiar with these things. Under the present system of paying by weight, determined once in four years, who fixes that rate?

Mr. MACK. Who fixes the rate?

Senator TOWNSEND. Yes.

Mr. MACK. The rate is now under general law stated at so much per pound by scale.

Senator TOWNSEND. That is by congressional action?

Mr. MACK. Yes, sir. The rate is fixed now by law.

Senator TOWNSEND. Are you satisfied with the rates?

Mr. MACK. Well, I think they are—

Senator TOWNSEND (interposing). Per pound, if you had an annual weighing.

Mr. MACK. I think so; yes, sir. There are two things to be considered in the matter of rates. One is rates and the other is compensation. It takes two things—the rate and the volume of business to make compensation.

Under the present rates, with an annual weighing and relief from messenger service, I think the railroads of the country would feel that it would make a fairly reasonable adjustment of the matter.

Senator VARDAMAN. What does it cost for that messenger service? We have heard that mentioned several times to-day. What does that amount to? Have you any data on that?

Mr. MACK. I have nothing very recent, but during the hearings of the joint commission I think it was shown that the outlay—the specific outlay for it by the railroads, where the conditions required them to employ extra men where their own employees at the stations could not handle it, was something in the neighborhood of \$500,000 a year.

Senator VARDAMAN. What per cent of the total pay to the railroads was that?

Mr. MACK. About 1 per cent—less than 1 per cent.

Senator VARDAMAN. We can just figure on that, then, as being the messenger rate, 1 per cent of the total amount paid?

Mr. MACK. At the other stations, of course, it is becoming more onerous all the time, because of the parcel post, and because of the disposition of the station agents to complain and endeavor to get relief.

Senator VARDAMAN. Now, referring to that question of special cars to meet emergencies, of course if this bill, which has passed the House, should pass the Senate and become a law, and you should go upon the space rate, the Government would necessarily provide all cars necessary to meet emergencies of the character that you have just described.

Mr. MACK. I do not see how it would be possible to do it, Senator. I do not know of any practical man who is familiar with the fluctuation conditions, and realizes what it means, would say you could do that.

Let me explain another case. Take a train out of the city of Little Rock, in Arkansas, in the morning. In case the trains for St. Louis miss connections, it affects the space on three different trains out of the city of Little Rock, 350 miles away. First, the train that was ordinarily due to get the mail; second, then the next following train, which is a local train, would take part of the mail; and third, a later train in the evening, which takes another part of the mail beyond the run of the local train. No one in the world would know how much overflow, beyond the mail apartment, that mail will amount to until the trains started out of Little Rock.

Senator VARDAMAN. Now, how do you do that now?

Mr. MACK. We do not do it now.

Senator VARDAMAN. Don't you carry the mail now?

Mr. MACK. We do not carry it on a space basis now. No specific authorization is necessary.

Senator VARDAMAN. How do you carry it?

Mr. MACK. We carry the mail just as it flows, without regard to the space, without regard to connections, without regard to whether it is delayed. In the case of a delay the mail that is ordinarily carried on one road is frequently carried on another different railroad.

Senator VARDAMAN. If you had to meet that emergency with a full car, it would be to your interest. For instance, if there is mail coming in that would have to go to St. Louis, and required a car only one-fourth or one-sixth filled, they would have to have a car, and the Government would pay you the full rate for that part of the car. It seems to me that would be to the interest of the railroads.

Mr. MACK. They pay us now at the weight rate per mile.

Senator VARDAMAN. I understand that; but if they had it on the space basis, and they had the mail there, and they had to go to St. Louis, they would take a car; and they would have to pay for the full weight of the car. It would be to the loss of the Government to do that but to the profit of the railroad. Of course, the Government would not allow you to permit the mail to lie there, because of the expense of carrying it. But you would simply have to put on a car and charge the Government for the car, and that would be to the profit of the railroad company and not to the Government.

Mr. MACK. We could not do that unless it was authorized in advance.

Senator VARDAMAN. As a matter of fact, no Post Office Department official who has any regard for the public service would let the mail lie at a station in that way.

Mr. MACK. Our point about the impracticability of the thing, Senator, is that this is a general fluctuating condition, and they could not repose—as the Second Assistant Postmaster General said—authority in the local officers all over the country to authorize this space as it changed from day to day. Observation at any principal station in the country will show you how impossible it is to decide from day to day what this space would amount to.

Senator SMITH of South Carolina. Do you mean by getting extra space that after the maximum contracted for by the Government has been fully taken up—or does it refer back? That is the question that I asked a moment ago—that the space is estimated upon the average of so many tons to the car, and, no matter where you get the space, the Government pays just that and no more. You see, I was going upon the assumption, having not studied the bill carefully, that the Government proposed to have a certain fixed space on certain fixed routes not fluctuating at all, and that, when they had used the full capacity of that—if such an emergency should arise—then they would have to make provision for additional space.

Mr. MACK. But we do not understand how they could do it, because of the changing conditions which exist all over the country, due to floods, late trains, and unusual amounts of parcel-post mail that are transhipped by freight—40 or 50 tons—such as catalogues.

Senator SMITH of South Carolina. Let me ask you this question, so as to get the thing clearly in my mind. Suppose the train started at Washington, going south, and, by some circumstance, not a pound of mail was carried. It was the ordinary train that carried mail, but not a pound of mail was carried. Would the Government pay you anything at all for that train under the space basis?

Mr. MACK. If that space had been authorized, they should; but the mail would fall back upon some other train, because we would have to haul it.

Senator SMITH of South Carolina. You mean authorized over that certain amount of space?

Mr. MACK. Yes, sir; but that is the very point that I am making now, that that mail then would be carried on other trains or on other railroads, and the Post Office Department would not know and could not know in advance that those conditions were going to exist, and they could not authorize the space upon other routes. That is the difficulty we see in the administration of it.

Now, on the weight basis that condition does not exist at all. The department pays on a tonnage basis and there is no specific allowance for space. They use the entire train service of the country at will.

Senator SMITH of South Carolina. And you say the Government now would pay for a train leaving Washington that ordinarily carries mails, but by some peculiar condition failed to take on any—that the Government would pay for space on that train that carries no mail at all?

Mr. MACK. I assume they would, provided the space had been authorized and the car was run.

Senator VARDAMAN. Senator Smith, to make that clear this way: There is a train that leaves here at 9 o'clock to-night for the South, a regular mail train, carrying so many coaches. The mail to be carried on that train—we will say that one coach is to come from New York. The New York train fails to make connections. Now it is ordered, the car is there, the train is made up, the time for departure arrives. The train leaves. I apprehend, unless it was a matter of detail that could be arranged in the administration of it, the Government would pay for that car. The Government would pay for the New York car if it went off on that train without the mail. Now, if the next train should bring it in and it would require two cars, as a matter of fact, the Government would provide here for the additional mail car. Now, it seems to me it is going to be some little trouble in administering the carrying out of the law. But I do not see any reason why that should not be given from the station here. Of course the Government has got to provide for the cars to carry the mail, and if it has got the cars in this system, while they are not all used at times, it will use more than the amount that the Government pays the railroads at other times.

Senator SMITH of South Carolina. I will confess I have got to study the bill in detail.

The CHAIRMAN. Let me ask you this question, if you are through.

Senator VARDAMAN. Yes; I am through.

The CHAIRMAN. If this space system is adopted, under the provisions of this bill the Postmaster General will have to notify the management of each road the amount of space he wants?

Mr. MACK. Undoubtedly.

The CHAIRMAN. On each train that moves on the road.

Mr. MACK. Undoubtedly.

Senator SMITH of South Carolina. Now you are coming to the very point I was after.

The CHAIRMAN. Now, take Washington for illustration. He would have to notify the Pennsylvania and the Southern and all the other railroads that go out of here the amount of space he wants on each train that they move that carries mail, as to the amount of space he wants to-morrow or next day or the next day. Now, I suppose he would not have to change that authorization unless something occurred or information was obtained that made it necessary.

The authorization might last for months, as an authorization. Is that true?

Mr. MACK. Of course, I can not tell.

The CHAIRMAN. Well, I say it is possible, it might. If the conditions were the same it would be true, would it not?

Mr. MACK. Substantially; yes.

The CHAIRMAN. Well, now, suppose conditions should change by reason of accident or something, and the mails should accumulate here in Washington, as it is likely to do until that authorization would not nearly carry the mail; he would then have to authorize additional space, would he not?

Mr. MACK. He should under this plan, but could not because he would not know in advance that it would be needed.

The CHAIRMAN. He would have to do that in every other place in the United States, wouldn't he?

Mr. MACK. Yes, sir.

Senator TOWNSEND. What would happen to the mail in the meantime?

Mr. MACK. In the meantime they would have to issue an embargo on the mail, because when these mail trains—for instance, 50 tons of mail arrive in St. Louis every day on one fast mail train, and if we waited to send that mail out in authorized space I would not like to say how long it would be there before they could find out what space should be needed to carry it out. Not only there, but at each connecting point all along the line, because that would spread, you understand, all over the country west of the Mississippi River and affect all authorization. Take the southern California mail, instead of going from Kansas City to California on the Rock Island, its regular connection, it would get to Kansas City at 6 o'clock in the evening instead of in the morning, and it would have to go out on the Santa Fe Railroad, an entirely different railroad. Now, how in the world those conditions could be foreseen or provided for I do not think there is any practical railroad man who would be able to find out. I do not think it is possible to authorize the space, because at every connecting point these fluctuating conditions exist and would have to be provided for suddenly.

Senator HARDWICK. Let me ask you one question there. What is really at the bottom of this change to space in your opinion? Is it the parcel-post business?

Mr. MACK. The Postmaster General says in his pamphlet, to enable him to proceed with his plan to enlarge the parcel post.

Senator HARDWICK. In other words, so we can handle a large volume of freight through the Government expeditiously?

Mr. MACK. I am quoting the Postmaster General's own statement as to his reason.

Senator STERLING. Is it claimed that there will be any saving in the amount paid for the carriage of mail by the adoption of the space system?

Mr. MACK. The Postmaster General—or rather Mr. Madden, whom I presume had figures from the Post Office Department—says that this bill would give the railroads an increase of \$6,000,000 per annum.

Senator CATRON. Would save that to the Government?

Mr. MACK. No, sir; would give that much more money to the railroads. That Mr. Lloyd says—

Senator HARDWICK (interposing). Says it would not.

Mr. MACK. He says it would not. To use his own language, he says it "would not increase the mail pay 1 cent."

Senator HARDWICK. That is what he tells the people when they go to vote on it.

Senator VARDAMAN. As a matter of fact, I do not think it was intended so much to increase the railroads' mail pay as it is to promote the interests of the public. I think that is the idea underlying all of it. Of course, I am going to concede to the Post Office Department absolute honesty and patriotism in their efforts in this matter, but I think the idea is that the average amount of mail—we will say 3 tons in a car that will carry 10 or 15 tons—that they will be able to pay the railroad companies a living rate for the use of that car, and at the same time, with the same force, carry just twice as much as they carry now, and give the benefit to the public. That is the purpose of it—without any additional cost to the Government and a saving to the public.

Senator HARDWICK. Who will lose then?

Senator VARDAMAN. Well, the railroads will not get it. [Laughter.]

Senator STERLING. Is it claimed that the delivery of mail will be more prompt? That there will be more dispatch in the delivery of the mails by reason of this system—more efficient service?

Mr. MACK. I have some views on the question of the effect on the public, if you care to hear them.

I think it means a very serious impairment of the efficiency of the postal service. First, when you require a specific authorization and specific pay for service it will have this effect: Take between New York and the city of Albany, a ton of mail which is to be transported—that, after all, is the thing the railroads have to do, to transport the mail. On the weight basis it does not make any difference whether that ton of mail is carried on one train or five trains, but on the space basis it makes a great difference. It makes this difference: That the Government would have to pay for each shipment on the space basis, if you could measure it by space; and it would cost more money. It would cost, I think, about 35 per cent more.

Senator VARDAMAN. It would cost the Government more?

Mr. MACK. It would cost the Government more.

Senator VARDAMAN. Who would get that?

Mr. MACK. The railroads would get it.

Senator VARDAMAN. Is that what you are objecting to?

Mr. MACK. They might get it. I do not think they would, because I do not think they would have the frequency of trips and efficiency they now have.

Senator VARDAMAN. Put on the trips under the terms of this bill?

Mr. MACK. I was addressing myself to the question of the efficiency of the service to the public, in response to Senator Sterling.

Now I think another effect that would follow the adoption of the space basis would be the holding back of mail to fill a carload and get the benefit of the loading, which has been pointed out. The mail would be held back at the city of New York, for instance, we will say, and the mail would be loaded in solid cars. Economy would be so strong an inducement that the mail would be held back to get

the full effect of loading, and it would delay the mail. And at every junction point there would be still another attempt to get the benefit of the loading; and every time you do that you delay the mail. Now, perhaps the Post Office Department had in mind to protect itself against criticism in a case of that kind, because there is a provision in this bill that deliberately authorizes the holding back of mail for loading—holding back third and fourth class mail. There is a specific provision in the bill, page 46, lines 10 to 15, authorizing the Postmaster General in his discretion to distinguish between the several classes of mail matter, and provides for less frequent dispatch of mail matter of the third and fourth classes, and periodicals, when lower rates for transportation or other economies may be secured thereby without material detriment to the service.

Senator HARDWICK. Isn't that right?

Mr. MACK. Undoubtedly he can hold the mail back under that provision.

Senator HARDWICK. That means parcel-post stuff and all these magazines shall not go as fast as letters—which is right, is it not?

Mr. MACK. I would be strongly inclined to think that expedition is an important factor as to all mail.

Senator VARDAMAN. I want to say just in connection that no Post Office Department—no administration—would stand very long the fury of the disapproving public which would result from delaying the proper delivery of the mail. There is nothing to fear from that. Of course the country demands that it go on, that it be delivered, and that would be done.

Mr. MACK. I am afraid they would blame the railroads for that condition instead of the department.

Now, with regard to reduction in service. Chairman Moon himself on February 26 in the House practically stated that where there was too great frequency of service, and the railroads thereby got too much, that it would be necessary to reduce the frequency of the service.

Senator MARTINE. I think what should be done, out of all this disagreement I would like to organize all you efficient gentlemen under a plan of Government ownership. Let the Government own the railroads and own the post offices, and we would promise you gentlemen quite as good pay, and I will swear we would give you shorter hours. If we could only have you gentlemen, efficient as you are, learned in this business, in this particular line, as our employees—Government employees—under an efficient system as we would have, I think the millenium would come, and you fellows would only come down here for a junket. [Laughter.]

Senator VARDAMAN. I want to tell you, if he had unlimited money and authority, he would give it all to you.

Mr. MACK. The railroads believe that the public interest is best subserved by the fixing of the system upon a weight basis, because it permits unrestricted use of the train service of the country, without specific authorization, and is therefore adaptable to the permanent conditions and to the sudden changing conditions in the Postal Service. It assures continuous railway mail service and prompt distribution, instead of the mail being held back and its distribution delayed.

Last year the cost for one-fourth of the country in the weighing of the mail was \$381,492.43. I would like to renew here the suggestion that I made during a hearing before your committee previously, that the cost of the weighing—which has always been a barrier to a more frequent weighing—could almost be eliminated, provided the railway station agents weighed the mails for a given period as it is actually put on and taken off the cars. Now, all mail has to be put on and taken off at the station. There always has to be an agent at the station. The agent can take that weight and report it to the Postmaster General or the Superintendent of the Railway Mail Service—whatever system the Postmaster General organized—and do that without any cost to the Government, just as they weigh now freight without cost to the shipper. It is perfectly in harmony with the existing system of weight for freight. The Government might, if it desired, as a sort of check, have its postmaster supervise the weighing at those stations. At the large cities like Chicago, St. Louis, and New York the Government might prefer to have some of its own men take the weights. But that system could be inaugurated and remove the complaint of the Post Office Department of the heavy cost of weighing. I think it could be done for possibly \$150,000 a year. A weighing over the entire country could be had for half the cost of the last weighing in one-fourth of the country; and it would then give the railroad company, certainly, needed relief in the matter of weighing. It requires no argument to convince anyone to-day that with the increasing volume of business that an average for a period of four years does not determine the volume of business satisfactorily or fairly.

Senator VARDAMAN. I never have seen any sense in that rule myself, and if it remains on that basis I do not see why the mail should not be weighed once a year, especially when there are changing conditions that we have now.

Senator HARDWICK. The only reason was on account of the expense.

Mr. MACK. I think, perhaps, Senator, that in the early days of the service, before there was any large volume of second-class mail, and before there was any parcel post—I think there was less importance attached to it.

Senator VARDAMAN. It was necessary then, or they never would have established that rule.

Mr. MACK. But to-day you have a business of \$300,000,000, and the transportation of the mail on a basis of weighing once every four years, on a business of that magnitude is obviously unsatisfactory and unfair.

Senator VARDAMAN. I do not think anybody contends it ought to be continued.

Senator STERLING. Do you maintain that weighing the mail in one-quarter of the country costs \$290,000?

Mr. MACK. Yes; these figures are taken from the report of the Second Assistant Postmaster General.

Senator CATRON. What section of the country was that?

Mr. MACK. That was in the fourth section, the western section, as I understand it.

Senator CATRON. What States does that embrace?

Mr. MACK. West of the line from Omaha to Kansas City, south.

Senator VARDAMAN. Mr. Chairman, it is now 5 o'clock.

The CHAIRMAN. Are you through Mr. Mack?

Mr. MACK. Yes, sir.

The CHAIRMAN. Gentlemen, the committee will stand adjourned until half-past 10 o'clock to-morrow morning, when Mr. Trumbull and Mr. Rea, president of the Pennsylvania Railroad, and Mr. Smith, president of the New York Central, who will be here, and who want to make some observations—some patriotic observations—to this committee.

(Whereupon, at 5 p. m., the committee adjourned until Tuesday, March 21, at 10.30 o'clock a. m.)

RAILWAY MAIL PAY—TRUNK LINES.

TUESDAY, MARCH 21, 1916.

UNITED STATES SENATE,
COMMITTEE ON POST OFFICES AND POST ROADS,
Washington, D. C.

The committee reassembled at 10.30 o'clock a. m., Senator John H. Bankhead (chairman) presiding.

Present: Senators Bankhead (chairman), Martine, Vardaman, Hardwick, Beckham, Penrose, Weeks, and Townsend.

The CHAIRMAN. The committee will come to order.

Gentlemen of the committee, the meeting this morning is intended to give certain presidents of the trunk-line railroads an opportunity to present their views on this question of railway mail pay to the committee. I am sorry that there is not a better attendance, but other members will be in very soon, I hope, and under the conditions that confront us I thought it best that we proceed, as we have a stenographer present and will be able to preserve the remarks of the gentlemen who appear on this question, although I think it would be better for the committee to hear them individually.

Mr. PETERS. Mr. Chairman, we would like to have you hear Mr. Trumbull.

The CHAIRMAN. Mr. Trumbull, president of the Chesapeake & Ohio Railroad, will be the first witness, and I have the pleasure of presenting Mr. Trumbull to the committee.

You may proceed, Mr. Trumbull.

STATEMENT OF MR. FRANK TRUMBULL, CHAIRMAN OF THE BOARD OF DIRECTORS OF THE CHESAPEAKE & OHIO RAILWAY CO., 61 BROADWAY, NEW YORK CITY.

Mr. TRUMBULL. Mr. Chairman and gentlemen, I think I will speak only a few moments about the general character of this problem, simply as a part of the much larger problem of the regulation of the railways of this country, the problem, I think, which is the most important of all our domestic problems at this time—and I do not say that thoughtlessly, because I believe that the regulation of the railroads of this country should be made successful. If the regulation of railways fails, some other alternative must be chosen.

The railroads themselves have long since accepted the principle of regulation. They feel it their duty to promote, in any way they can, more efficient regulation. They feel that no regulation can be effi-

cient in which the responsibility is divided. No large business can be conducted satisfactorily with a divided responsibility for results.

The Interstate Commerce Commission has been established by Congress long since, as a deputy of Congress, to deal with questions which Congress might deal with itself, but saw fit not to deal with directly. The commission has power over freight rates, passenger rates, express rates, but has no power at present over the rates of railway mail pay. In the Eastern Rate case they handed down a decision which all of us feel made substantial progress toward the establishment of certain principles, and among other things they said:

That such reasonable passenger fares may be charged as would yield a fair return upon the property devoted to passenger use; and, further, that in general each class of service, including mail and express, shall contribute its just proportion to the economic cost of operation.

As I have said, the commission has jurisdiction over freight rates, passenger rates, and express rates. We believe it is endeavoring to deal honestly and fairly with the railroads, but it is perfectly helpless in some respects to carry out its fair intentions. It can not adequately protect the revenues of the country—I mean the railroad revenues—and at the same time protect the shippers adequately if it has no jurisdiction over all of the income.

Senator VARDAMAN. Do the railroads generally feel toward the Interstate Commerce Commission now as they did some years ago?

Mr. TRUMBULL. Well, what do you refer to by "some years ago"? What have you in mind?

Senator VARDAMAN. A few years ago, if I remember correctly, there was a feeling rather of hostility and of resentment against that commission's interference with the affairs of the railroads. You say that feeling has changed to one of cooperation now?

Mr. TRUMBULL. Yes, sir; I can say that without hesitation.

Senator VARDAMAN. You really have more confidence in the judgment and sense of right of the commission now than you had a few years ago?

Mr. TRUMBULL. Yes. It is true we have differences in point of view, but there is complete acquiescence in the principle which Congress has established, that the railroads should be regulated.

Senator VARDAMAN. Pardon me for interrupting you. Proceed.

Mr. TRUMBULL. I think I might say in that connection that the railroads of this country—the investors in the railroads—are quite willing to take pot luck with everybody else. They have no difficulties, no puzzles, that other people do not have, except in one respect. They have a labor problem; so have other people. They have the question of supply of raw material and the price they pay for it; so have other people. Every man in business, in the mercantile business, in the manufacturing business, in the banking business, has his puzzles. The railroads are quite willing to take pot luck with everybody else, but the one thing that differentiates them from other business is the matter of regulation.

Senator VARDAMAN. Well, what has caused the change of sentiment on the part of the railroads toward the Interstate Commerce Commission and the general question of Government regulation?

Mr. TRUMBULL. Well, I do not know. I think it is a pretty long story to answer that, to go into all of the causes that have led up to

it. But in the first place, as I say, the railroads have accepted the principle of regulation. Now, having accepted it, it seems our duty, and it seems to us to be the duty of those who represent the people—so called—to make that regulation efficient. We have been studying this question for a good many years, particularly in the last year, and we believe that the Government—that is to say, Congress—ought to do for the railroads what it has done for the banks. We do not believe, Senator, that regulation of the railroads of this country can be efficient unless some tribunal has jurisdiction over the whole subject.

Senator VARDAMAN. I think there is cogency in that argument. But pardon me for interrupting. I am afraid I broke the thread of your discourse.

Mr. TRUMBULL. I would like to make it as plain as I can that the one thing that differentiates the railroads from other business is the one question of regulation; and the investors of this country can not be happy if that regulation is not efficient, and it can not be efficient when several different people are doing it. In fact, it seems to us, as we look at it—and the investor looks at it—that a divided regulation is not regulation at all. It is to the investor a locomotor ataxia. He is dragging one leg behind the other all the time to try to make his revenues consistent with the expenditures.

Senator McLEAN. Mr. Chairman, I understand President Trumbull is prepared to give the committee a connected statement with regard to the present question at issue here; and I would like to have him have the privilege of concluding that statement without any interruption, if that is possible.

Mr. TRUMBULL. Either way is satisfactory to me.

Senator VARDAMAN. I shall not interrupt the thread of his discourse further. As I suggested to him a moment ago, I do not want to interrupt anybody to whom it would be really an interruption. But we would be very glad to hear you through.

Mr. TRUMBULL. We—I do not have very much more to say, Senator, except that I did want to get that one thought before you, if I may, that this is simply a part of a much larger question. Other gentlemen will speak to you about the technicalities of the railway mail pay question, and about the injustice of allowing any shipper—and the Post Office Department, after all, is only a large shipper—to fix his own rates. We do not permit the passenger to do it; we do not permit the express company to do it. They are all submitting themselves day after day and month after month to the jurisdiction of a tribunal which you yourselves have created. We think that you can have no symmetrical system of regulation without putting into the hands of that deputy of yours the control of the whole subject. That is the piece of logic that I would like to get before you, and all that I have to say, I think, on that question, except that I might inform the committee—or file with the committee—what the President recommended to you in December. If you do not object I will just read that part of his message to you:

In the meantime may I make this suggestion? The transportation problem is an exceedingly serious and pressing one in this country. There has from time to time of late been reason to fear that our railroads would not much longer be able to cope with it successfully, as at present equipped and coordinated. I suggest that it would be wise to provide for a commission of inquiry to ascer-

tain by a thorough canvass of the whole question whether our laws as at present framed and administered are as serviceable as they might be in the solution of the problem. It is obviously a problem that lies at the very foundation of our efficiency as a people. Such an inquiry ought to draw out every circumstance and opinion worth considering, and we need to know all sides of the matter if we mean to do anything in the field of Federal legislation.

No one, I am sure, would wish to take any backward step. The regulation of the railways of the country by Federal commission has had admirable results and has fully justified the hopes and expectations of those by whom the policy of regulation was originally proposed. The question is not what should we undo; it is, whether there is anything else we can do that would supply us with effective means, in the very process of regulation, for bettering the conditions under which the railroads are operated and for making them more useful servants of the country as a whole. It seems to me that it might be the part of wisdom, therefore, before further legislation in this field is attempted to look at the whole problem of coordination and efficiency in the full light of a fresh assessment of circumstance and opinion, as a guide to dealing with the several parts of it.

For what we are seeking now, what in my mind is the single thought of this message, is national efficiency and security. We serve a great Nation. We should serve it in the spirit of its peculiar genius. It is the genius of common men for self-government, industry, justice, liberty, and peace. We should see to it that it lacks no instrument, no facility or vigor of law to make it sufficient to play its part with energy, safety, and assured success. In this we are no partisans, but heralds and prophets of a new age.

I think, Mr. Chairman, that states the view of the railroads.

Senator MARTINE. What document is that?

Mr. TRUMBULL. The message of the President to Congress in December last.

The CHAIRMAN. Are you through with your general statement, Mr. Trumbull?

Mr. TRUMBULL. I will just add a word to that, if I may. I think the railroads have come to that point of view described there. The Senate has already adopted a resolution in compliance with this recommendation, except that the Senate resolution provides for the appointment of a joint committee of the Senate and House, instead of an outside commission, and that resolution is now pending in the House and has been favorably reported by the House committee. That is the report I have in my hand, and it seems to me, if I may be permitted to say so, that with such a resolution having already passed the Senate, it would be too bad at this time to make a revolutionary change in the method of paying for railway mail pay. We think that the whole question ought to go to the Interstate Commerce Commission. We believe they can deal with it intelligently and fairly, and it seems to us that your treatment of it in that way would be entirely consistent with what the Senate has already done in response to this recommendation of the President.

I think that is all I have to say, Mr. Chairman.

The CHAIRMAN. Does any member of the committee desire to ask Mr. Trumbull any further questions?

Senator VARDAMAN. Would you prefer that the matter be delegated to the Interstate Commerce Commission than for the Senate to continue in operation the law of weighing the mails and requiring the weighing of the mails once every 12 months?

Mr. TRUMBULL. I think it would be much better to put the whole thing under the jurisdiction of the Interstate Commerce Commission and give the commission the power to do what you suggest.

The CHAIRMAN. We will hear Mr. Samuel Rea now.

STATEMENT OF MR. SAMUEL REA, PRESIDENT PENNSYLVANIA RAILROAD, PHILADELPHIA, PA.

Mr. REA. Mr. Chairman and gentlemen, I shall take up but little of your time, for it is not my intention to talk at all about rates or other technical matters. They have already been dealt with in detail, and I understand will be further discussed by the members of the committee on railway mail pay, who are in attendance, and who have special charge of the mail traffic for the various railroads.

My purpose in appearing before you is simply to tell you what I think is the best and wisest way to dispose of this whole question. I have given the matter considerable thought, and have tried to take as broad a view of it as possible, and I will ask you at least to credit me with having tried to get a little above a purely selfish point of view. Naturally, as a railroad officer, I wish to see this matter adjusted in a way that will assure fair treatment to the railroads. It can not be questioned that they are entitled to just pay for every service they are called upon to render, whether to a great department of the Government, or to a private citizen. But I also want to see a settlement that will be perfectly fair to the Post Office Department, and that will command and deserve the confidence of the people. The department should certainly be free to develop its true usefulness unhampered, and to call upon the railroads for whatever service its proper needs require, the sole condition being that it shall fairly compensate the railroads.

Now, as to the best way to obtain these results—as you may know, I am a thorough believer in the system which this country has adopted of the public regulation of railroads. The people through the Congress long ago decided that the only fair way to settle questions as to what the railroads ought to be paid for their services was to have some impartial body to do it. This is founded upon one of the first principles of law, namely, that of having differences settled judicially.

The question of pay for mail transportation has been the subject of dispute and controversy for 30 or 40 years, perhaps longer. Neither the railroads nor the Post Office Department has ever been satisfied. We may as well be frank and admit that their views are widely divergent, and the differences between them seem to be irreconcilable. One of the greatest objections that I could possibly name to the mail-pay legislation that is pending before you is that it would not settle these differences, but would only intensify them. What else could, by any chance, be expected from the passage of coercive measures, against which every railroad in the country has protested? The solution that I suggest is this: Turn the whole matter over to the Interstate Commerce Commission; let the commission study it carefully and then advise Congress as to what changes are required in the method of pay, or the rates, in order to do justice to both the railroads and the Post Office Department. The question of pay for carrying the mails and the parcel post has become a most intricate study in rates. The Interstate Commerce Commission is the national expert body on rates, and was created by Congress to serve that purpose. It is better fitted than any other branch of the Government to reach a fair conclusion. Both the railroads and the Government, I am sure, would be willing to abide by its judgment.

Mr. Chairman and gentlemen, if you decide to recommend this solution to the Senate I am sure it will satisfactorily determine the question, and you will receive public approval for one of the fairest and wisest steps ever taken by a committee of Congress.

Now, that, gentlemen, condensed, is all I have to say, although I am perfectly willing to answer any questions.

The CHAIRMAN. Does any member of the committee desire to ask any questions?

Senator TOWNSEND. Mr. Rea, do you think that the Interstate Commerce Commission, as at present loaded up with work, could take hold of this matter and solve it in this ideal form which you and the rest of us think ought to be followed?

Mr. REA. I have not any doubt of it. In the first place, I think the commission will be enlarged so as to meet the already overcrowded condition of their labors.

Senator TOWNSEND. The fact is, I think, generally held throughout the country, that the commission is overloaded; that it is not able to do well the work which is already conferred upon it—the duties conferred upon it—because, as you have noticed, undoubtedly Congress has been quite ready to turn over every difficult question to the Interstate Commerce Commission for it to settle. I happen to know, in talking with the members of the commission, that they feel as though many questions which have been submitted there ought not to have been sent to the commission. And so I have wondered if we would get this ideal solution by referring it to an already overworked commission.

Mr. REA. I quite agree with what you say, especially with the fact that there have been matters referred to them which perhaps ought to have gone somewhere else and have taken up a great deal of their time, but here is a matter that they are specially qualified to deal with. It is not materially different from all of the larger rate questions which they have before them constantly, and it is their duty to do that. I never could understand why such a discretion should be given to the Postmaster General or any other Cabinet officer with respect to privately owned railroads. Why should not the Secretary of War demand the right to pass on and determine the price that should be paid to the railroads for the transportation of troops and munitions? It is just as logical. It is unfair. It is not right. I believe there is a bill pending now to enlarge the commission, and, doubtless, it should be enlarged in time. But, as Mr. Trumbull has said, this and the enlargement of the commission are only parts of a very large question which is under consideration, and no doubt will be dealt with fairly by the committee of inquiry which has been appointed and from which we have great hopes of recommendations that will bring about constructive legislation of great benefit to the railroads and the country.

Senator TOWNSEND. You will recall that Congress passed a law something like a year and a half ago, I think, providing for rates and weights for the parcel post. One of the provisions was that if changes were made they were to be approved by the Interstate Commerce Commission. Those of us who are interested in that matter believed at that time that the commission did not investigate the question at all, but approved the recommendations of the Postmaster Gen-

eral, alleging, I believe, that it did not have the time. I am not sure as to what answer was given, but that was the fact.

The CHAIRMAN. I will say, for the information of the Senator, that a bill has already been reported favorably and is on the calendar in the House to increase the number of the commission from seven to nine.

Senator TOWNSEND. I realize that, and I also have in mind the fact that it was discussed the other day before—well, it was discussed by a committee that probably no legislation would be had on that subject at this session of Congress; and I think that is undoubtedly true, that it will not be had.

Mr. REA. I should expect, then, to wait until this inquiry was had; and I think it would be better, unless the commission feels that they are so shorthanded that they ought to have more members.

Senator TOWNSEND. Would your recommendation be to allow the whole matter to rest in statu quo, as it is now, until that has been determined, and you be paid the same as you have been paid?

Mr. REA. No; I think the matter ought to go to the commission. They will attend to it. My recollection is that their reply to the reference to them before was that they were really without any power.

Senator TOWNSEND. What is your idea, to refer this matter to the commission with authority to fix rates, or simply to investigate and report?

Mr. REA. To investigate and report, and fix them, too.

Senator VARDAMAN. You want to put this into the same category with other freight rates?

Mr. REA. Why, that is right, freight and passenger rates. It is transportation, pure and simple, of a large kind.

The CHAIRMAN. Then, I understand your idea to be this: You would like to see the railroad mail pay controlled and regulated by the present law, with an annual weighing, and that to be the guide and the basis of compensation to the railroads until the Interstate Commerce Commission has made its report. Is that your idea?

Mr. REA. That is right.

The CHAIRMAN. Are there any other questions you gentlemen desire to ask? We are very much obliged to you.

Who is your next speaker?

Mr. PETERS. Mr. Johnson, president of the Norfolk & Western Railroad, Mr. Chairman.

The CHAIRMAN. Mr. L. E. Johnson is present. We will hear from him.

STATEMENT OF MR. L. E. JOHNSON, PRESIDENT OF THE NORFOLK & WESTERN RAILWAY, ROANOKE, VA.

Mr. JOHNSON. Mr. Chairman and gentlemen of the committee, it is not my purpose to undertake at this hearing to go into details with reference to the question of railway mail pay. I only beg to say that I have kept myself informed as to the discussion of this important question, and as a result of such information and of recent consideration, I respectfully submit that the space basis, as proposed, is revolutionary, untried, and therefore hazardous to the interests of the

people and of the railroads; that the proposed change of method of fixing the pay and conditions of transportation of mail by the railroads of the United States is a theoretical and an untried basis. Therefore, it is a question for experts to consider and make recommendations to Congress.

The Interstate Commerce Commission is the expert body to which the railroads and the shippers submit these matters, and which decides—so far as its power given by Congress permits it to decide—in many cases. In many cases they recommend changes of existing rates and conditions, and these recommendations are generally accepted by both parties. Therefore, it is logical that this is the tribunal to which this question should be referred, and that body should be requested by Congress to give its recommendation upon the method of computation as well as the amount of pay. Such a recommendation from the commission should—and undoubtedly would be—very persuasive and practically conclusive upon the railroads and the Government.

Inasmuch as the Government has become engaged in the commercial transportation business through the parcel post, is it not unjust for the Government, as a competitor, to fix rates upon its commodities and articles for itself, leaving shippers of all other classes of freight and the railroads in the position of having their rates regulated by the Interstate Commerce Commission? I think this can be answered in the affirmative.

I most respectfully urge your careful consideration, and request that legislation like the Moon rider should be considered by Congress not as a rider but as separate and distinct legislation, and that Congress should adopt no novel procedure until it has been advised by the Interstate Commerce Commission.

I beg your consideration of the detrimental effect which the space basis would have upon other classes of railway traffic, such as freight and express; due to the arbitrary power given by the proposed law to the Postmaster General, he being empowered under the proposed law to make rates for the Government for parcel post, thereby enabling him to enlarge the opportunities of the Government for competing with express and freight traffic of the railroads.

The limit of parcel-post packages to 50 pounds in weight, as proposed in the Moon rider, does not remove the objections to the space plan of payment, nor does the clause that permits of a review by the Interstate Commerce Commission as to the sufficiency of rates per car mile. The commission can not make any change under the proposed law, and can merely make a recommendation to be submitted after the method has been changed and the railroads have been placed absolutely under the authority of the Postmaster General, whose power will be so great that his orders may seriously affect the daily operation of the entire service.

I fully indorse the presentation that has been made by the committee on railway mail pay of the railroads, of this matter to the various committees before whom they have appeared.

In conclusion, I urge that the present method for arriving at the amount carried and the basis of rates to be paid, while not wholly adequate, should be continued until the Interstate Commerce Commission has had an opportunity of making a full investigation into this matter, in a like manner as their procedure and investigation of

rate questions and conditions with other shippers and the railroads. I do not think it right that the Government, through Congress, should place itself as a producer of transportation differently from other shippers, excepting only in war.

The CHAIRMAN. Is that the conclusion of your general statement?

Mr. JOHNSON. Yes, sir.

The CHAIRMAN. Does any member of the committee desire to ask Mr. Johnson any questions?

Senator TOWNSEND. Mr. Johnson, your idea is a little clearer to me in the last expression there. Do you wish the Interstate Commerce Commission to make a recommendation to Congress of the proper rates to be charged? Do you think it would be necessary for the Congress to first enact affirmative legislation declaring that the rates should be just and reasonable, the same as we do in freight rates?

Mr. JOHNSON. I do, sir.

Senator TOWNSEND. You do not believe that the Interstate Commerce Commission should be authorized to make rates without some basis such as a declaration by positive law that they should be just and reasonable?

Mr. JOHNSON. That is right.

Senator TOWNSEND. Now, your first suggestion was that the Government should not be permitted to fix the price that it should pay for shipping mail, any more than the shipper of freight should be permitted to fix the rate that he should pay. Will not the Interstate Commerce Commission be a part of the Government? Isn't that the Government in reality?

Mr. JOHNSON. Yes, sir; but as I present the matter and as I view it, I am perfectly willing that the Interstate Commerce Commission, an arm of the Government made by Congress, should decide these questions, as between the Government and the carriers, in exactly the same manner as it decides between the general shippers of our country and the railroads.

Senator MARTINE. And recommended a rate?

Mr. JOHNSON. And recommend a rate; yes.

Senator BECKHAM. Do you think that the Government should in this business receive any preference in the matter of rates, over other shippers?

Mr. JOHNSON. I certainly do not.

Senator BECKHAM. You believe that the Interstate Commerce Commission should have the authority and jurisdiction to fix them?

Mr. JOHNSON. I do.

Senator BECKHAM. What I want to get at is, in consideration of the large volume of this business—the postal business—would the railroads insist that they should receive as much, pound for pound, as they charge private shippers?

Mr. JOHNSON. Senator, I can not answer your question directly, either negatively or affirmatively. I can, however, say this, that I think the Government should not be placed in a position that is different from shippers of as great or greater tonnage than the Government ever supplies. Under the law the rates must be the same, regardless of quantity—one ton or a million tons—and I believe that the result of the investigation by the Interstate Commerce Commission, and its findings, would bring about a fair and equitable basis of compensation. It is strange to me, sir, having been in this

business for some time, that the Government should want to put it in the power of one man to say what they should pay.

Senator VARDAMAN. As a matter of fact, in the last analysis isn't it carrying an article for the individual citizen anyway? The Government collects the freight in postage stamps and pays the railroads for it. For that reason there could be no justification in carrying it cheaper for the Government than it would carry the same article for the private individual. That is your idea, I suppose?

Mr. JOHNSON. Quite right, sir. That is true.

Senator BECKHAM. The volume of the business—it would be your greatest shipper, I guess—would not be a reason sufficient to justify a preference rate or a reduced rate to the Government over what was paid by private shippers?

Mr. JOHNSON. No; but I am perfectly willing, from my standpoint, to abide on that very question that you present, Senator, by the recommendations and findings of the Interstate Commerce Commission.

The CHAIRMAN. Isn't it likely that the Interstate Commerce Commission in an investigation of this question would take that very question into consideration?

Mr. JOHNSON. I think it would. Unquestionably it would.

Senator VARDAMAN. Let me understand you there. Your proposition is that this question should be referred to the Interstate Commerce Commission for investigation, and that the commission should recommend to the Congress certain legislation. Is that your idea?

Mr. JOHNSON. That is my suggestion.

Senator VARDAMAN. You prefer that course to permitting the Interstate Commerce Commission to decide the question definitely; to pay postage rates?

Mr. JOHNSON. I have felt, in making this presentation to you, that it was in line with what has gone heretofore, that the Interstate Commerce Commission does make its recommendations regarding changes of conditions and laws to Congress. Now, I do not hesitate, so far as I am individually concerned, to answer your question—that I believe that the Interstate Commerce Commission might be empowered to decide this question absolutely. The railroads, of course—

Senator VARDAMAN (interposing). Well, I think if the Interstate Commerce Commission is to have anything to do with it it ought to put this into the same category with other freights.

Mr. JOHNSON. Exactly.

Senator VARDAMAN. But it is only a matter of investigation and recommendation, and I can not see why a committee of Congress, with the power to employ expert assistance, could not determine that question as well as the Interstate Commerce Commission, which is now already overworked. But if this matter is to be put into the hands of the commission, like other articles of merchandise which the railroads carry, why I confess that there is some merit in your suggestion that the commission act upon it, independently and finally.

Mr. JOHNSON. My suggestion, Senator, is along the line that the commission should handle the question of the railway-mail pay in exactly the same manner that it handles the question of rates of pay for freight, express, and passengers.

Senator VARDAMAN. You understand that that was not referred to the Congress for action.

Senator BECKHAM. We understand that, but what I was desiring to get at was this: Assuming that that was done, and the Interstate Commerce Commission has jurisdiction of the rates, would you insist that they should apply the same rates to the Government business that they do to the business of private shippers?

Mr. JOHNSON. I would not insist upon that at all.

Senator BECKHAM. Or, in other words, wouldn't the volume and regularity of the Government business make it about the best shipper or customer that the railroads have and thereby entitle it to some reduction and consideration?

Mr. JOHNSON. I should leave that—

Senator MARTINE (interposing). Your suggestion was that you would leave that matter of rates entirely to the commission?

Mr. JOHNSON. Certainly.

Senator VARDAMAN. But the Senator desires to know, Mr. Johnson, to get your idea—and I would like to have it myself—your idea as to whether or not the railroads would be justified in extending that special favor to the Government because of the magnitude of the business the Government is giving to the railroads? You think the commission would be justified in that?

The CHAIRMAN. If the Interstate Commerce Commission said so, they would have to, would they not?

Senator VARDAMAN. Of course, and they will have to submit to the terms of this Moon amendment or the Moon bill if the Congress should see fit to enact it.

The CHAIRMAN. Of course.

Senator VARDAMAN. But I was just going to get his idea of the wisdom and economic justice of such a provision, as a man of large experience in these matters.

Mr. JOHNSON. On the point that Senator Beckham mentioned—

Senator MARTINE (interposing). Mr. Rea said that he felt that the Interstate Commerce Commission, as I understood him, should fix the rate; that they should consider the whole question and absolutely fix the rate. Now, I want to ask, after having heard the suggestions of Mr. Johnson that they should consider the question and recommend—not fix—whether that suggestion would meet with your approval, Mr. Rea, or acquiescence, that they should not necessarily fix, but might recommend to Congress.

Mr. REA. No, sir; I think the matter ought to go to the Interstate Commerce Commission for them to act formally and finally.

Senator MARTINE. Without any reference to Congress?

Mr. REA. And exclusively, just the same as they do on other rates. I can see no reason why they should have any preference whatsoever, either. The railroads pay taxes—an enormous sum—and they are entitled to some consideration from the Government on that score.

Senator MARTINE. Well, I only wanted to bring out the fact of that disagreement between yourself and Mr. Johnson.

Mr. JOHNSON. Now, Senator Martine, there may not be so much of a disagreement between us, because I have already stated that in my consideration and presentation of this matter I have acted upon what I had assumed to be the general practice; but at the same time

I said that I was perfectly willing to leave this matter fully with the Interstate Commerce Commission to fix. I answered your question on that same point.

The CHAIRMAN. Are there any other questions, gentlemen? If not, you may be excused, Mr. Johnson, if you are through.

Mr. JOHNSON. Yes, sir; I am through.

Senator TOWNSEND. I want to ask one other question. Under the present plan of weight, paying the railroads by weight, wouldn't the railroads get a special benefit by reason of the Government being the largest shipper, because as the weight increases the rate decreases, does it not?

Mr. JOHNSON. I do not think I quite get the point there.

Senator TOWNSEND. Under the present plan of paying the railroads by weight, as I understand it, as the weight increases the rate decreases, so that if the Government were the largest shipper it would get that advantage, would it not?

Mr. JOHNSON. I must confess that I do not know as to that point which you make, as to that rate.

Mr. PETERS. Senator, I will answer for Mr. Johnson, that that is a fact; that as the weights increase the rates per ton mile, or the rate for carrying large quantities, decreases automatically under the law. That is in the case of mails, not other business, under the present law.

The CHAIRMAN. Right at this point I wish to say that Senator Penrose from Pennsylvania requested me to announce to the committee that he was engaged in discussion of this armor-plant bill on the floor of the Senate—he is very much interested in it—and asks that he be excused from attendance on that account.

Mr. PETERS. Our next speaker will be Mr. Felton, of the Chicago Great Western.

The CHAIRMAN. We will have Mr. Felton now.

STATEMENT OF MR. S. M. FELTON, PRESIDENT CHICAGO GREAT WESTERN RAILROAD.

Mr. FELTON. Mr. Chairman and gentlemen of the committee, I come before you not to make any lengthy argument on the subject which has been so ably presented by those who have already addressed you but more to represent the railroads of the Middle West, and to emphasize on their behalf what has already been said as to the objections to the space basis for fixing the compensation of the railroads for carrying the mails.

There is no division of opinion upon this subject in our territory. We all regard the proposed change as being most serious.

Under the provisions of the Moon bill the Postmaster General has in his power the right to name the rates for transportation, and if a railroad should decline to handle the business on the rate named then a fine of \$5,000 per day is imposed for the period of time during which the railroad declines to furnish the transportation.

Imagine for a moment the War Department, or the Navy Department, being placed in a position of making their own rates on troops, or supplies, or whatever might be necessary in the conduct of their departments. Such a program, in my judgment, would never be considered for a moment by the gentlemen of this committee. Yet

the Post Office Department is seeking this special privilege that has never been accorded to any branch of the Government heretofore.

The officers of the Army and Navy, the soldiers and sailors, all pay their fare. Under the Moon bill there would be but few officers or employees of the Post Office Department who would not ride free over the railroads of this country, and more than that their free transportation would not be confined to the mail cars.

We have already instances on record of what will happen provided there is unlimited development of the parcel post, where flour, coal, ore, cement, and various other commodities have been transported in large amounts by simply dividing the shipments into parcels weighing not over 50 pounds. Under the proposed bill the growth of this business would be so great as to most seriously affect regular freight and express transportation.

For this reason, if for no other, the question should, in my judgment, be passed upon by the Interstate Commerce Commission before any further legislation is undertaken, and the present law amended by providing for an annual weighing in order that the railroads may be fairly compensated for the movement of the rapidly growing parcel post.

I listened with considerable interest to the question raised as to the volume of the mail traffic, and as to the Government being such a large shipper that it should receive certain preferences. As far as the railroad that I am connected with is concerned, we get more than twice as much out of the transportation of flour than we do out of mail, and I could name a great many other commodities that are far in excess of mail. They are not the largest shippers.

Senator VARDAMAN. The pay that you receive now is remunerative, is it not? You are perfectly satisfied with that, are you not?

Mr. FELTON. No; speaking individually; no sir; because the volume is so small that the service we furnish costs more, I think, than the return.

Senator BECKHAM. I did not mean to say it was the largest shipper in the sense in which you took it; but I assume that the Government is the largest individual shipper in the country; that it pays more in freight or Postal Service than any other one shipper does.

Mr. FELTON. Than any other one individual firm, you mean?

Senator BECKHAM. Yes; firm or shipper.

Mr. FELTON. I do not think so.

Mr. PETERS. Senator, I think you will find some of these large steel corporations, large manufacturing concerns, pay more than \$60,000,000 in freights. I think a great many of them are larger.

Mr. FELTON. Yes; I think so.

Senator MARTINE. What are your views as to the question of referring this subject to the Interstate Commerce Commission, as has been suggested by Mr. Rea and the gentleman previous, Mr. Johnson?

Mr. FELTON. If I understand the matter correctly, Congress delegates its authority to the commission, does it not?

Senator MARTINE. By act of Congress; but what are your individual views as to the wisdom of the reference of this matter?

Mr. FELTON. I was going to explain. My view is that an amendment to the act should be passed authorizing the Interstate Commerce Commission to take jurisdiction over this transportation, as it

has in the case of all other transportation. You amended the law, you know, to embrace express companies and the Pullman Co.; and now the idea would be to further amend it so as to take in the mail.

Senator MARTINE. Now, with reference to these matters, should it be recommended by the Interstate Commerce Commission? Do your ideas coincide with the gentleman who just preceded you, that it should be a recommendation, or do you advocate the position taken by Mr. Rea, that the commission should be called upon to fix irrevocably the rate?

Mr. FELTON. If you amended the law and put the matter under their jurisdiction, they would fix it, if you give them the same jurisdiction they have over passenger and freight, express, and sleeping-car rates.

Senator WEEKS. Mr. Felton, I notice you suggested a comparison between this service and the War Department, for instance, in that rates ought not to be made by the Postmaster General any more than by the Secretary of War. It is not proposed, even in the Moon bill, that the rate shall be made by the Postmaster General. The rates were put into the bill with a provision that they shall not exceed that much.

Mr. FELTON. Doesn't he make them?

Senator WEEKS. I do not know whether he would make them or not.

Mr. FELTON. He is limited by the maximum.

Senator WEEKS. Of course, that provision will never remain in the bill with my assent, but his only power would be to reduce the rates.

Mr. FELTON. That is why I thought—I said that I thought, under the provisions of the bill, he would have the authority to name rates so long as he did not make them higher.

Senator WEEKS. I would like to make the suggestion to you and the railroad men here, to rather get the consolidated opinion. When this matter was originally taken up I suggested the authorization of a provision in the law for a superintendent of transportation in the Post Office Department, recognizing the difference in character of carrying mails on different roads, and that he should agree with transportation companies as to rates applying to their particular service, and that if there were disagreements then the disagreement should go to the Interstate Commerce Commission. My original idea being that the Interstate Commerce Commission was overburdened, and that they would only have to pass on those cases where there was disagreement in rates, taking into consideration all the differences that would apply to roads of different character in carrying the mail. Do you see any objection to that?

Mr. FELTON. As far as the railroad that I have charge of is concerned, I see none, because we are a small mail line and we make no money out of the transportation of mails, and such an officer as that must be made to see the necessity of giving us larger pay.

Senator WEEKS. That is exactly what I have in mind, that one road should receive materially higher compensation than another, dependent upon the cost of the service; that any flat rate would mean injustice to someone.

Mr. FELTON. I think so. That is one reason why I think the Interstate Commerce Commission could handle this thing so well.

Senator WEEKS. The Interstate Commerce Commission could do it if it had time to do it.

Senator VARDAMAN. That is only a difference in detail, isn't it, Senator Weeks?

Senator WEEKS. It is only a question of detail, of course. We have delegated powers to the Interstate Commerce Commission which Congress has no right to do in making rates. I would like to do this thing in a businesslike way and constitutional way if it were possible.

The CHAIRMAN. Are there any other questions, gentlemen?

Senator VARDAMAN. I wanted to ask Mr. Felton, would he object to stating what has caused this change in the minds of the railroad managers, the controllers of railroads, with reference to the Interstate Commerce Commission? If I remember correctly, a few years ago you did not have that confidence in the commission that you seem to manifest now.

Mr. FELTON. Well, I think we have accepted regulation, and we have made up our minds that it is a good thing, and we are going to cooperate with the commission in every way we can in perfecting it. I think, when the Interstate Commerce act was first passed, possibly some of the railroad people did not take very kindly to it.

Senator VARDAMAN. I think that is a very happy symptom.

Mr. FELTON. We have grown older.

Senator MARTINE. And wiser.

Mr. FELTON. Much wiser.

Senator TOWNSEND. You do not think that this law, if it should pass, would prove that your fears were groundless as they were in reference to the Interstate Commerce Commission?

Mr. FELTON. I do not anticipate that.

The CHAIRMAN. Are there any questions that you wish to ask Mr. Felton. If not, you can retire and we will take the next witness.

Mr. PETERS. Mr. Chairman, our next witness is Mr. A. H. Smith, president of the New York Central.

The CHAIRMAN. We will be very glad to hear the gentleman.

STATEMENT OF MR. A. H. SMITH, PRESIDENT OF THE NEW YORK CENTRAL LINES, NEW YORK, N. Y.

Mr. SMITH. Mr. Chairman and gentlemen, I do not wish to take up the time of the committee except to say that I indorse what has been said here by the other representatives of the roads, and to add one other thought: The Government is all powerful. It can inflict upon the railroads rates that will be unprofitable to them. It can compel the roads to carry business at a loss. Whatever losses are forced upon the roads, however, will be felt by the traveling public, the shippers, and the stockholders. The railroad managers are merely trustees. We are here to protect thousands of owners of these properties. If the Government insists upon getting service below the cost to the railroads, this money taken out of the funds of the roads must be met somewhere and somehow. Either the freight or passenger service must bear the burden or else the stockholders must.

The railroads desire to aid the Government. They wish to furnish good service to the Government, to the private shippers, and to the

traveling public. They can not do justice to all if advantage is give to any one class.

This is a day of fair play, special privileges being abolished by enlightened legislation. The Government should set the example of asking no special privilege for itself, and since the rates proposed are considered by the railroads to be unremunerative, they would constitute discrimination in favor of the Government. All that we ask is fair play.

The Government has intrusted other problems of railroad management to the Interstate Commerce Commission, and it should, we think, intrust this one to that body for fair consideration.

What this country wants as much as it wants anything, in my opinion, is good railroad service. If we are to grow, if we are to prosper, and if we are to have those things that we must have, it is going to follow, largely, good transportation. And it seems to me, gentlemen, that this Government and the Post Office Department can well afford to pay a fair rate for the service rendered it.

We are perhaps the greatest mail-carrying line in the United States. We perhaps receive in the aggregate slightly more than any other line; and yet, as you divide the mileage into what we receive, we get about \$600 a mile, \$50 a month for carrying the mail. Some of it is very light, but in the average, over 13,000 miles of railroad, a hasty calculation gives us \$600.

What I hope that this committee will do is to refer it, so that the subject can have the most careful consideration by what we believe is the commission that is set up to do this thing, the Interstate Commerce Commission. If they have too much to do, organize a department, or detail one of their members and organize under him and make a study of the subject. We have to do these things. We have to organize to meet whatever emergency or situation comes before us. We have this situation in New York at the moment, and in New England, on account of this freight blockade, and the railroads centering there have within the past few days detailed their presidents—or detailed themselves, rather—into a committee to study and to help the general situation, with a view of doing all that can be done to lift that burden that is placed upon a part of this country, as regards transportation. And it all brings back what I said a moment ago, that what we want more than anything else—if we want anything in this country—in my opinion, is transportation, and good transportation.

Mr. Rea suggests that I overlooked the fact that one member of the Interstate Commerce Commission is sitting with us in this study in New York now.

The CHAIRMAN. Does any member of the committee desire to ask Mr. Smith any questions?

Senator HARDWICK. I would like to ask one question: Do you think, Mr. Smith, that if we were to refer this question to the Interstate Commerce Commission, that we ought to do it with power in that commission to investigate and fix whatever railway mail pay is reasonable and just, just as we do in freight rates, or simply direct them to investigate and report back to Congress?

Mr. SMITH. My opinion, Senator, would be that it should be submitted to them for a conclusion, the same as they reach in any investigation, having the same faith in them in this that you have in

other things. The Government ought to have faith in them to that extent.

Senator HARDWICK. The suggestion was made here by one of the members of this committee that the Government ought to have preference in the way of rates, on account of the largeness of the business—the volume of the business—and the suggestion was made by some witness who preceded you that probably the Steel Corporation did a larger freight business than the United States Government. Does the Steel Corporation get any lower rate on account of the volume of business it does?

Mr. SMITH. Not at all.

Senator HARDWICK. So that that principle is one of the things that we did away with with this legislation, is it not?

Mr. SMITH. Absolutely.

Senator HARDWICK. Preference on account of volume of business.

Mr. SMITH. And it should also be considered, gentlemen, the character of service that is rendered in this United States mail transportation. There is no better service rendered any customer than is rendered the United States Government in the transportation of mails. It gets preference, and if it gets a sufficient bulk it has special trains, which are given the right of way as they are ready, and rapidity of action—the best that we can devise for them. And what we have got to do as we grow, and if we are to continue in this Parcel Post Service and in these great centers of population in this eastern country, you have got to meet the necessity of preparation and improvements and facilities for prompt handling of mail and more prompt dispatch of trains if you are going to keep that service what it ought to be to properly serve the public. It is a different character of service from all others; and the railroad committees, I believe, have put before your committee this fact, that the Railway Mail Service to-day, of all the passenger service that is provided, pays less per unit of circulation—less than express, less than passengers—for its transportation.

Senator MARTINE. In your opinion—which is worth a great deal—would you be satisfied with the present rates, continued with a yearly weighing?

Mr. SMITH. I am not satisfied, because I feel that if we have a fair review of this thing and a close study of it, it will be found that it is not equitable, and all we ask is equity. Now, in my opinion, we are not getting equity for what we are furnishing.

The CHAIRMAN. You would be perfectly satisfied with the present pay during this investigation if you had annual weighing?

Mr. SMITH. Yes, sir.

The CHAIRMAN. It is a fact that, taking your fast mail trains—is it true that your fast mail trains at junctional points frequently are compelled to be held, waiting for the arrival of trains of other roads? Or when that is the case, do you go right along and leave them?

Mr. SMITH. Well, in our service we have very heavy mail centers, and the trains are—

The CHAIRMAN (interposing). I did not have reference to your particular road, but in general. What is the general situation, or do you know?

Mr. SMITH. Well, take it where there are junctions, we wait a reasonable time for mail and passengers.

The CHAIRMAN. Does that disarrange the schedules to some extent?

Mr. SMITH. It does, of course.

The CHAIRMAN. And you frequently get a train into what you call a "hole" and keep it for some time, do you not?

Mr. SMITH. I think I will have to stick to my own yard, and I will say that we do not, because we can not keep them in a hole long. They would be run over completely.

The CHAIRMAN. Of course, I did not have reference particularly to your system there, because I realize—as everybody does—that it is one of the largest in the country. What I intended was, is that situation generally over the country? If it was not frequently the case that fast mail trains were held at junctional points awaiting for other trains carrying mail in order to make connection?

Mr. SMITH. It might be said that is true, more or less.

Senator MARTINE. You would be perfectly willing, you say, to wait until a decision could be had by the commission, and at the present pay. Would you be satisfied to have an annual weighing and the cost thereof to be paid by the railroads until a decision could be had from the Interstate Commerce Commission?

Mr. SMITH. I should want the annual weighing. I think that is fair, that we should have an annual weighing, and therefore I should want it. And I am willing to abide by the present rate, pending the investigation.

Senator MARTINE. I know. The question I wanted to ask is, and that you would be willing to pay? It has been suggested by representatives of the railroads that they would be willing to pay for the annual weighing in the presence of a duly authorized agent of the Government. Do you agree to that?

Mr. SMITH. I would be willing to do that if they would give it early attention. I think it is a contribution in a way, but I should say we would be willing to do that. All we want is to get this thing fairly adjudicated and get away from this constantly recurring question between the Government and the railroads.

Senator MARTINE. That is a thought that has been acquiesced in by some gentlemen who preceded you yesterday.

Senator HARDWICK. I have one question in mind that has been troubling me a good deal in connection with this matter. Now, ordinarily, when we fix rates of freights the people must pay, we take the weight as a basis, and yet that is not a universal rule, because a man can hire a car, and that is a space contract, is it not?

Mr. SMITH. Well, it is all based—all freight rates are based on weight and classification. If you take a carload you get a carload of freight. That is paid for by weight just the same. There is no distinction.

Senator HARDWICK. I have thought they had a very great reduction when they took as much as a carload.

Mr. SMITH. If they take a carload they get the carload rate, which is less per ton than the less-than-carload rate; but there is a great distinction in this, that in the case of the carload rate, the carload is handled by the shipper himself. It is loaded by him; it is unloaded

by him; while in the less than carload it is delivered at the freight house, and in addition to the carriage you furnish the warehouse, you furnish the trucker to put it into the car; you furnish a man to take it out of the car.

Senator HARDWICK. You are responsible for the unloading.

Mr. SMITH. I did not touch on this subject. In addition to hauling the mail, we handle it at stations, furnish trucks, and, of course, there is all this side service—that, to my mind, is worthy of the most careful investigation and study. I can cite a little village in New York State where 500 pounds of parcel post is thrown off upon the platform and the agent with his little cart, unless he can induce some kind-hearted liveryman to take it for him, is required to haul it 75 rods to the post office and lay it down in the inside, if he can—if there is too much, on the outside. And all of those things are performed by the railroads in addition to its transportation.

Senator HARDWICK. Now, is the Government allowed anything like the carload rate in connection with the mail?

Mr. SMITH. The Government pays by weight, some of it in carloads, and some of it in less than carloads.

Senator HARDWICK. When it is in carload quantities, does the Government get a lower rate?

Mr. SMITH. No; it is averaged on the weight of the mail. I do not know just how it would measure out, but I believe myself, this morning, that I would be willing to make a less-than-carload rate and a carload rate separately, if you will pay me for all that you take from me in compartment cars and service in less than carloads, which you now pay me nothing for.

Senator HARDWICK. I have heard a good deal about that. There are two sides to that. If we do that, then certainly the Government ought to have the same privileges that the ordinary shipper has and have a carload rate, it looks to me like.

Mr. SMITH. All of which proves, Senator, that the subject is big enough and important enough, related as it is to all the other factors of this great big transportation machine that we have—it is bigger than anything else in the world—is worthy of the most careful study of and review of all the circumstances and its relations to all the other conditions of transportation, and a fair allowance to these railroads that do the work.

Senator WEEKS. You are familiar with the rates in the Moon bill?

Mr. SMITH. Not as thoroughly—in a general way, yes.

Senator WEEKS. Assuming that the space basis were to be adopted and that the department had no power to reduce those rates, do you think they would be fair for the service performed?

Mr. SMITH. Absolutely not. I do not believe they would.

Senator WEEKS. I am not committing you to the space basis. I am asking you about the rates if the space basis were adopted.

Mr. SMITH. I can not reconcile myself to it or understand how we can fairly or equitably adopt any rate on a space basis.

Senator WEEKS. Just assume that we can do it—we can not do it, but that we are going to do it—would those rates be fair?

Mr. SMITH. I will have to answer no; because I think the Moon bill has so many provisions in it permitting of manipulation, that I can not see any fairness or equity in it at all.

Senator WEEKS. That is really the great objection to the space basis, is it not—the possibilities of uncertainty and disagreement about rates?

Mr. SMITH. That is a very great factor in it. But then comes in the question—I believe that it is unsafe; that it is an unsafe practice; that it is an unwise practice, but beyond everything else an unsafe practice. I should feel concerned if anyone was loading my cars on the space basis, if they had authority to load the cars by space and put in what they wanted to in order to fill that space up.

Senator WEEKS. Aren't rates dependent somewhat on the space occupied?

Mr. SMITH. They are based on a classification, yes. They take into account the space occupied and the weight, but it always comes back to the weight. For instance, you may load a horse, a single horse in a freight car. That horse, the rate calls for 2,000 pounds. We all know the horse does not weight 2,000 pounds, but they put that weight there because he occupies more space in the car than he would otherwise if he was dead weight and was taken in at his actual weight. So there are certain allowances and considerations.

Senator HARDWICK. Would there be any difference between the rate on a carload of lead and a carload of feathers?

Mr. SMITH. The rate would be different, because the feathers would take more cubical capacity. A carload of automobiles, for instance—we only get two automobiles in the car, but the car is filled and therefore you pay a higher rate on the weight. You pay a higher rate on account of the cubical use of the car, the larger car, but the weight is not there. We may take a carload of millinery out, but the rate on millinery is higher than it is on iron ore.

Senator HARDWICK. That is a very good illustration. I came pretty near making that myself. The rate on the millinery, you say, would be higher?

Mr. SMITH. Very much higher.

Senator HARDWICK. Although the weight of the iron ore, of course, would be greater. Isn't that partly because you would have to handle the millinery a good deal faster? You would have to handle it by fast freight.

Mr. SMITH. Competition takes it in preferred freight. But that is all taken care of in the freight classifications. Some of them are first-class; then on account of being light or bulky they are made double first. Then iron ore is stepped down so that it is sixth class. Personally I like to handle sixth-class freight, because the man loads and unloads it and all I do is to haul it, and it bothers me not at all.

Senator TOWNSEND. It is not as liable to so much damage, either?

Mr. SMITH. No. This Moon bill has some very severe penalties in it; fines, etc. I do not know but what we might be paying for the handling of the mail after a time, for the privilege of handling it.

The CHAIRMAN. Are there any other questions, gentlemen? We will excuse you, Mr. Smith. Who is your next speaker?

Mr. PETERS. President Truesdale, of the Delaware, Lackawanna & Western Railroad.

The CHAIRMAN. All right, Mr. Truesdale; we will hear you.

**STATEMENT OF MR. W. H. TRUESDALE, PRESIDENT OF THE
DELAWARE, LACKAWANNA & WESTERN RAILROAD, NEW
YORK, N. Y.**

Mr. TRUESDALE. Mr. Chairman and gentlemen, the company and the interests I represent are but little interested to-day in the mail question. We have never regarded the pay we got for the service rendered as remunerative, and we have, as far as we could, kept away from it; and our instructions to our people have been not to undertake any more mail business. We have made no effort to get it. We have no mail agent; have no representative in Washington—never have had, excepting as we have been represented through Chairman Peters and his very able fellow workers on the mail pay committee.

The last weighing of the mails in our territory occurred April, 1913, shortly after the parcel post was inaugurated. We had but a very slight increase then. The parcel post there was nothing, practically, at that time. So we got really in that weighing no benefit from the parcel post, and have carried it all since then virtually without any increase in pay, and the expense has been quite materially increased, the handling of that branch of the Postal Service, after the weighing. And in due course, after the so-called contracts had been prepared by the Post Office Department and sent to us for execution, we, with each of them, filed a protest that had been prepared at some length, against the contracts as being unremunerative and unjust. I haven't a copy of that contract or that protest with me, but that indicates what our attitude has been with reference to what we are getting under existing laws and regulations of the Post Office Department.

Since that weighing I believe the Interstate Commerce Commission has fixed the express rates on a basis that was quite new and a radical departure in the way of rate making in this country, and these new express rates have been in effect for some time.

I requested our people to make up figures for our company for the month of April, 1915, showing the space occupied in our trains—in our cars—by the Post Office Department for their uses; also the space occupied by the express companies for the express traffic it handled over our lines, that we might see—and also to give me with that the earnings of the two branches of business and how they compared. The space occupied by the mails was 42,839,000 square feet; by the express company the square-foot space occupied was 14,750,000; or the space occupied by the Post Office Department was about three and one-half times that of the express company. Our earnings on express, based on that unit, are about three and one-half times that of the space occupied by the Post Office Department. Our earnings on express, based on that unit, are 25.7 per cent more than on the mails we carry; and that, I think, represents, as we view it, very fairly the difference.

It has been claimed, I know, in the different discussions that I have seen reported here in Washington, from the other end of the Capitol, that the mail was paying the railroad companies more than the express. That is certainly not so, so far as we are concerned;

and it does not show that the Post Office Department is the big shipper on our line of road.

Senator TOWNSEND. Did I understand that that 14,000,000, the whole bulk of express, paid 25 per cent more than 42,000,000 of mail?

Mr. TRUESDALE. Yes, sir; that is, the rate.

Senator TOWNSEND. The rate for the same weight?

Mr. TRUESDALE. Take the unit now, the square-foot mile, the express company paid 25.7 per cent more than the mail on the same space occupied. Mind you, gentlemen, of course express and mails are carried on the same trains, in the same cars, the same coach.

Senator WEEKS. Is that a fair unit to take?

Mr. TRUESDALE. I think so. I asked our auditor to take a unit. It is somewhat in line with what has been discussed here, as I understand it, in discussing this whole subject.

Now, of course, in so far as the Postal Service is concerned, we are absolutely liable for all injuries, the same as to a passenger, to all postal employees carried by us. So far as the express company is concerned, we are relieved from all that.

From what I have said, you must infer, of course, that as far as our interests are concerned we are not satisfied with the present method of remunerating the railroad companies for handling the mails and the parcel post. We have a line of road about 900 miles in length—the mail line—and there are 17 different mail routes. One burden that we in common with other mail carriers of the country have to bear is that of delivering the mails at certain post offices that are located within 80 rods of our stations. We have one short mail route—Senator Martine, you probably are acquainted with it—between Newark and Montclair—

Senator MARTINE (interposing). Very well, indeed.

Mr. TRUESDALE (continuing). On which we carry something like a ton and a half of mail a day, every day in the year. Our total remuneration by the Post Office Department for that service is \$825. Under the regulations of the department we pay out \$1,160 for taking the mails from Bloomfield to Montclair. So we are out of pocket \$335 on that route.

We have another route that runs up through Morristown. We pay out close to 11 per cent of our gross earnings from the Post Office Department for the delivery of mails to post offices on that route.

Senator MARTINE. That is 11 per cent of the gross earnings?

Mr. TRUESDALE. The gross that we receive; yes. I said 11 per cent; it is about 9½ per cent.

Senator MARTINE. The construction of our new post office in Morristown I do not believe has made it much less?

Mr. TRUESDALE. I do not know how that works out in Morristown alone. I only know what we pay out of that.

Senator MARTINE. I am not a Morristown man, but I know the road very well, and I want to say to these gentlemen that are not acquainted with it, that it runs through a paradise of a country; and the splendid enterprise of the railroad, in its railroad stations, is unparalleled. [Applause.]

Senator WEEKS. I think, Mr. Chairman, that ought to be stricken from the record. [Laughter.]

Mr. TRUESDALE. I appreciate the compliment, gentlemen.

Senator MARTINE. I have nothing but kindly things to say about the D. L. and W. There was a day in my memory—long before Mr. Truesdale's day—when we said that D. L. and W. stood for "delay, linger, and wait." But it doesn't any more. [Laughter.]

But what I want to ask you, Mr. Truesdale, do you favor reference of this whole subject to the Interstate Commerce Commission, as has been suggested by the gentlemen preceding you?

Mr. TRUESDALE. I do, sir. I think there are many things in connection with this that the Interstate Commerce Commission, and it alone, should and can deal with. It has been stated here that the commission is overburdened to-day. I think I can consent to that as a general proposition, and yet they seem to be able and they seem to have an organization, and they seem to get ready to take up big and difficult questions—and they have had a number in the last two or three years that I know of, because we have been in them more or less, and worked them up. They have apparently an able and pretty thoroughly educated body of men now, traffic and tariff men. They have their examiners—and they have among them some able men—and they take up the questions and they go through them very thoroughly. I know they are the only body to-day that can do this, and I really think they ought to undertake it. It ought to be asked of them.

Now, the powers given the Postmaster General in this rider to the Post Office appropriation bill are very extensive, such as the power of enforcing fines up to \$5,000, and collecting them, if we have enough left in our post office compensation to get it out of us. Then, if we do not provide cars in every feature—and they are changing them quite often, it has been our experience with postal cars and apartment cars. Quite frequently in recent years we have had to change features of that equipment, and I am sure other companies have had to do the same, in conformity with the requirements of some new man that has come into the situation and thinks some changes would be desirable. If we do not make those, we are fined, or they throw the cars out altogether and we are allowed no compensation. There are many features in this proposed amendment that give very broad, and it seems to me most unreasonable, powers to the Postmaster General; and, of course, he individually can not begin to pass on them all. They would have to be passed down the line.

Senator MARTINE. Would it be agreeable to you—satisfactory or pleasing to you—in the event the matter were referred to the Interstate Commerce Commission, to continue the present system and weigh the mails annually, the railroad companies to pay for the weighing of the mail at the various stations?

Mr. TRUESDALE. I think, so far as we are concerned—

Senator MARTINE (interposing). Under the supervision—I do not know that that would be necessary, but that has been suggested—under the supervision of the postmaster or some agent of the Government.

Mr. TRUESDALE. I do not think that is altogether fair to put that burden on the railroad companies, but, so far as our interests are concerned, we would do it.

Senator MARTINE. I only mentioned that fact because some other gentlemen, I think, said that they would be willing to do that.

Mr. TRUESDALE. I do not believe it is fair to ask us to stand that expense, but we would do it.

Senator MARTINE. I wish the assembled multitude no punishment worse than to take a trip up through that country and wander over by the Reading and drop in at Plainfield, N. J., and we will take care of you. [Laughter.]

Senator WEEKS. Don't you weigh the freight you receive at your stations?

Mr. TRUESDALE. Yes, sir; we are supposed to weigh all freights.

Senator WEEKS. That is done at your own expense, is it not?

Mr. TRUESDALE. Yes.

Senator WEEKS. That is made a part of the rate by the Interstate Commerce Commission, is it not?

Mr. TRUESDALE. It is part of the rate; yes.

Senator WEEKS. Then it would be fair if the Interstate Commerce Commission considered your weighing as a part of your rate, and to fix the rate based on that, as it would in the case of freight?

Mr. TRUESDALE. Yes; if they fixed fair rates.

Senator WEEKS. Assuming that they would do it, then the only burden you would have would be the first weighing?

Mr. TRUESDALE. Yes, sir. Understand this, Senator, we are obliged under penalty to see that the freight we haul is weighed and that it is billed at the actual weights. Now, that is not so with the mails to-day, because the records show that for any period of four years the increase in mails averages about 2 to 2½ per cent per year, anyhow, at least. Now, we are carrying 2½ per cent extra mail right along without any pay each year, and during the four years it amounts to about 10 per cent. That has been in the past. We do not know how it will work out now under the parcel post. It will be a greater percentage than that that we are carrying free. We can not do that for ordinary customers. We have got to weigh every shipment.

Senator TOWNSEND. You would be arrested under the law if you granted that favor to private parties?

Mr. TRUESDALE. I do not know that we would be arrested, but we would be prosecuted and fined.

Senator WEEKS. What I wanted to bring out was, that as far as the weights and weighing is concerned, you want to have the mail put on all fours with freights.

Mr. TRUESDALE. Yes, sir.

Senator WEEKS. The cost of the weighing to be included in the rate?

Mr. TRUESDALE. Yes, sir.

Senator WEEKS. That being the case, the only burden the railroads would have to bear would be the first weighing?

Mr. TRUESDALE. Well, yes—I would not say that exactly, sir, because I think we are bearing the burden to-day. Now, there is no shipper that I know of where we deliver, no matter how short a distance he may be from our station, that under our rates we deliver goods in his store.

Senator WEEKS. Supposing we provided that the weighing should take place—that the weighing should be annual and that that weighing should take place before the 1st of July, and that we would put

this whole question into the hands of the Interstate Commerce Commission. It is quite likely they would not be able to settle it before the 1st of July, so that there would be a weighing that someone would have to pay for, and I think what Senator Martine has been trying to get at is whether you would be willing to pay for that one weighing.

Mr. TRUESDALE. I say we would, so far as we are concerned, although I do not think it is fair.

The CHAIRMAN. Are there any other questions, gentlemen? If not, you may be excused, Mr. Truesdale.

Mr. PETERS. Mr. Chairman, that is all of the presidents we here, and it has taken until 12.30. If you want to go on, Mr. Bradley is here ready to finish his statement.

The CHAIRMAN. What does the committee say? I think we had better hear Mr. Bradley at least.

Senator WEEKS. Mr. Chairman, I have another hearing that is now going on. It is a very important matter for me to be there. I have heard a good deal of this testimony, and I am sorry that I can not be in two places at once.

Mr. PETERS. I would like to say one thing, Mr. Chairman, for the record, that the Interstate Commerce Commission can organize a department by taking one of their experts that can study this question and consider it promptly. They have organized a department that is carrying on the valuation of the railroads. That is divided into many heads, the real estate, the actual unit or quantities of lands, of structures, of embankment, and of all the details of valuation. They have another department that is figuring the unit cost, just the same as in the railroads we have one president and he has his organization. We have a valuation committee that is working with the valuation committee of the Interstate Commerce Commission. We have a committee, as Mr. Smith has just said, that is working with Commissioner Clark to clear up the trouble in New York—the blockade of freight there. All the railroads are attending those meetings—or the members of the committees are—and we are working together. There has been no trouble before the Interstate Commerce Commission, and it would be no trouble for the Interstate Commerce Commission to organize a special bureau that would study this out; and my desire to have them pass upon it was because the whole question of rates on merchandise, passenger, and express is involved. You gentlemen have not the time to give it the careful attention it deserves. You are interrupted by calls to a vote, to come in to make a quorum, to come in to a roll call; you are interrupted by hearings of other committees; you can not concentrate on the thing like your experts in rate making can; and there are so many questions involved here that rate experts must concentrate and study this thing in order to be fair to all branches of the railroad service. I just wanted to add that at this point.

The CHAIRMAN. What is the sense of the committee? Shall we adjourn now?

Mr. JOHNSON. I would like to be placed on record in answer to the Senator's question regarding the matter of paying for the weighing during the time of this investigation, as being perfectly willing to do that, whether it is a short period or a long period. I am perfectly willing to do it. I also want to be placed very definitely on

record that I am perfectly willing, notwithstanding the suggestion in my statement that the commission report back, I place myself on record positively that I am willing to abide by their decision. My suggestion, sir, was based on the fact that this question was referred to Congress by the Postmaster General, and is being acted upon in that line; and I assume it would be acted in the other way, but it has been brought out here this morning so emphatically that I want to place myself there. I am willing to abide by their decision.

Senator HARDWICK. Mr. Chairman, if other members of the committee have other engagements, I suppose we had better adjourn until 10.30 to-morrow morning.

The CHAIRMAN. Of course we have got to leave it to the members of the committee whether they can go on.

Senator TOWNSEND. What is there left to be done?

Mr. PETERS. We have Mr. Bradley, from the railway mail pay committee, to finish up that committee. Then there are the short-line roads, and I think there are some representatives here from the commercial organizations that have studied this matter, and they wanted to put in some protests.

Senator TOWNSEND. I think, Mr. Chairman, it is not a good day to have continuous hearings. We vote at 4 o'clock on the armor-plant bill, and everybody ought to be in the Senate. I want to be there and am going to be there. Some amendments are going to come up at 4 o'clock under the five-minute rule for discussion, and I think we had better adjourn until to-morrow morning.

(Thereupon, the committee adjourned until 10.30 a. m., March 22, 1916.)

RAILWAY MAIL PAY—TRUNK LINES.

WEDNESDAY, MARCH 22, 1916.

UNITED STATES SENATE,
COMMITTEE ON POST OFFICES AND POST ROADS,
Washington, D. C.

The committee reassembled at 10.30 o'clock a. m., Senator John H. Bankhead (chairman) presiding.

Present. Senators Bankhead (chairman), Martine, Vardaman, Hardwick, Catron, and Penrose.

The CHAIRMAN. The committee will please come to order. Gentlemen, inasmuch as these hearings are being taken down by the stenographer and will be printed, we ought to be able to induce the absent members to read them. We can not get a full committee this morning, therefore we will have to proceed with what we can get, in the hope that they will come in later.

Senator PENROSE. I think it is important that the absent members should be here. Senators struggle to get on the committees, and then do not attend. These hearings are very important. I ask that the secretary call the roll, so that the record may show who is here—or, rather, he take a note of those who are present. That will save time.

The CHAIRMAN. Make a note of that and let it appear in the hearing.

The members of the committee present were Senators Bankhead, Beckham, Catron, Hardwick, Martine, Penrose, and Townsend.

Mr. PETERS. Mr. Chairman, we have Mr. Bradley here this morning.

The CHAIRMAN. Gentlemen of the committee, we have here this morning Mr. Bradley, a gentleman of very large experience in these matters, who has been in this business 20 or 30 years—maybe 50, I do not know exactly how long—and we will be glad to hear him.

Mr. PETERS. Mr. Bradley was superintendent of the Railway Mail Service in the department for many years. He was trained and brought up in the department and then took service with the Pennsylvania Railroad. He has been on both sides of this question and he has been a very deep student of it. We rely on him more than on anyone else to give us the true inside facts of this matter. I think Mr. Bradley was one of the original space basis men, but the more he studied and looked at the question from both sides—the railroad side and the Government side—the more he found that space was impracticable; that weight was the only basis on which he could get a fair, definite, accurate line on railway mail pay.

The CHAIRMAN. Mr. Bradley, you may proceed.

**STATEMENT OF MR. V. J. BRADLEY, GENERAL SUPERVISOR
OF MAIL TRAFFIC, PENNSYLVANIA RAILROAD, PHILADEL-
PHIA, PA.**

Senator PENROSE. You were in the Post Office Department at one time, were you not?

Mr. BRADLEY. Yes; for a number of years.

Senator PENROSE. What position did you hold there?

Mr. BRADLEY. For about 15 years I was division superintendent of Railway Mail Service at New York, having charge of the district comprising the States of New York, Pennsylvania, New Jersey, and Delaware.

Senator PENROSE. What years were you in the service? I mean during what years?

Mr. BRADLEY. I was in the service from 1875 until 1911.

Senator PENROSE. All right, proceed, Mr. Bradley.

Mr. BRADLEY. Mr. Chairman and Senators, I have written out the thoughts that have occurred to me on this subject, and would be very glad, if it is satisfactory to yourselves, if I could proceed to the end, although if it is necessary to submit questions while the reading is going on, I will do my best to answer them.

The CHAIRMAN. I think it will be well to proceed, and when you get through you may be subjected to any questions that the committee desires to ask.

Mr. BRADLEY. When reviewing the legislative history of the railway mail pay question since the existing basic law was passed in 1873, several points stand out most prominently:

First. The principles of the law have remained unchanged, but the rates have been several times reduced. The reductions directed by Congress, and by the Postmaster General in 1907, have resulted in a loss to the railroads of about \$50,000,000.

Second. In all of that time—43 years—only one legislative act produced more pay to the railroads. This was the allowance of 5 per cent increase in pay on account of parcel post, granted in 1913. This would have amounted to \$2,500,000, but the Post Office Department allowed only \$1,686,000.

Third. Requirements have been laid upon the railroads by Congress and the Post Office Department entailing greatly increased expenses, but without any allowance of additional pay to meet these expenses. To illustrate: Congress required by act of August 24, 1912, that all full R. P. O. cars (1,411 in number) should be constructed of steel. This entailed an expense of probably \$15,000,000. The Post Office Department has made specifications for the stronger construction of mail apartment R. P. O. cars (4,412 in number), necessitating proportionate additional outlays.

Fourth. The joint congressional commission which reported to Congress on August 31, 1914, recommended legislation which, in their judgment, would increase the pay \$3,000,000, and intimated that the rates prescribed for this purpose were too low from the railroad standpoint.

Fifth. That the railroads propose simple remedial legislation mainly to correct departmental practices. They ask for an annual instead of a quadrennial weighing; they ask for relief from carrying the mail to and from the post offices; they ask supplementary pay for

the post office distribution space in mail apartment cars, the same as in full R. P. O. cars.

Notwithstanding these facts the railroads are before the Senate asking to be protected from the consequences of new legislation which has passed the House of Representatives and is included as a "rider" upon the Post Office appropriation bill. The proposed law undertakes to establish a space basis of pay which absolutely ignores the weight or quantity of mail carried in spite of the fact that the existing law makes "the conveyance of the mail" by the railroads the real service recognized, just as it is the real service performed. The proposed law would place all of the operating conditions, and the rates as well, solely at the discretion of the Postmaster General. It has been described as a delegation to the Postmaster General of legislative control over railway-mail pay. To sustain these new and extraordinary powers which are granted to the Postmaster General it is enacted, for the first time in the history of the country, that any railroad company refusing to perform mail service shall be fined not exceeding \$5,000.

This startling innovation comes forward at a period when for the first time in the history of the country the Federal Government finds itself performing a postal freight service, including packages weighing as much as 50 pounds, with predictions from the Post Office Department that the weight limit will presently be made much greater.

The shipments in the parcel post, under the authorization of the act of August 24, 1912, include farm and factory products as well as parcels of indiscriminate character. This is a marked departure from the original function of the Post Office Department, which was the conveyance of written or printed intelligence. It is, therefore, of the greatest importance that in arranging for the transportation of the vast tonnage, present and prospective, that may grow out of the law of August 24, 1912, note be taken of the existing transportation agencies and of the commodities and rates applicable to particular classes of traffic, and applicable to particular distances and sections of the country.

PRESENT AND PROSPECTIVE VOLUME OF PARCEL POST TRAFFIC.

The present extent of the parcel post traffic for transportation may be surmised from the statement made by the Postmaster General in his letter of February 10, 1916, published in the Congressional Record of February 19. This gives the total weight for the year as 1,640,943,240 pounds. This weight, of course, included the former fourth-class mail which was estimated to be 58,000,000 pounds in 1908, and about 76,000,000 pounds in 1912. Allowing for growth in the last three years, this old fourth-class matter should now be about 90,000,000 pounds. Subtracting that from the figures first quoted, then it will appear that 1,500,000,000 pounds of new parcel post traffic was mailed last year, the major part of which was transported on the railroads. If these estimates are correct, there were 750,000 tons of this new traffic.

The heavy parcels do not, as yet, predominate in number over the lighter parcels, but in certain sections of the country considerable diversions have already been made from the freight traffic to the United States mails with serious loss of revenue to the railroads

affected. It seems important to take note of this tendency before it grows into a general evil. It is believed that even under the existing rates and conditions there are many sections of the country, particularly in the South, where the heavy commercial packages have not been transferred from the freight service into the mail service, because shippers are not, as yet, fully awake to the possibilities.

The Post Office Department in its recent pamphlet announces that "the space basis will enable the department to proceed with its plans for the expansion of the parcel post." If the Post Office Department, by utilizing the railways' facilities without paying specifically for additional tonnage, is enabled thereby to lower the postage rates on heavy parcels, there can be no question but that the burden of handling a large volume of express and freight traffic will fall upon the Post Office Department and that the railroad companies will be performing their share of the new work with little, if any, increase in their mail pay, coupled with the entire loss of direct revenue from the traffic that has been diverted.

THE EXISTING LAW FOR RAILWAY MAIL PAY.

In the discussion of the proposed legislation, the existing system is frequently described as the weight basis. The fact is it is really a weight and space basis. The total pay received by the railroads for mail transportation comprises about 90 per cent on the weight basis and 10 per cent on the space basis. The proposed legislation is a purely space basis, entirely ignoring the weight of mail conveyed.

The reason why the existing system includes a supplementary rate for space in addition to the pay for weight is because the Post Office Department uses railway post-office cars for sorting mails en route. In other words, the car space containing the racks and pigeonhole cases and other postal furniture utilized by railway postal clerks for opening the mail bags and sorting the mail piece by piece is not used for the storage of mail. The railroad company can not, therefore, utilize this space for the storage of mail which they are paid to convey. The auxiliary rate of pay allowed for this space is at present only applicable to full railway post-office cars, but the railroads have urged that a similar rate of auxiliary pay should apply to mail apartment cars, because in these the principle has the same application.

To make this clear, reference may be had to the standard plans of the Post Office Department for R. P. O. cars and mail apartment cars. In the full railway post-office car 60 feet in length only about 15 feet are available for the storage of the load to be carried. In a 30-foot mail apartment car only 8 feet of the 30 feet can be occupied by the load; in the 15-foot mail apartment car only 2½ feet are assigned to the load. It will thus be seen that in these cars only one-sixth to one-fourth of the space is available for transportation purposes, while the remainder of the space is devoted to sorting the mail which is purely a postal function.

I have some photographs here, Mr. Chairman, to which I would like to invite the attention of Senators who may not be familiar with the interior of a railway post-office car [producing photographs].

This is a photograph of a 70-foot railway post-office car, and this of a 30-foot mail apartment car.

Senator MARTINE. That is a 30-foot mail apartment in the 70-foot car?

Mr. BRADLEY. No.

Senator CATRON. That is a separate car by itself—a car 30 feet long?

Senator TOWNSEND. No; it is an apartment 30 feet long in another car.

Senator MARTINE. Is that an apartment in this car?

Mr. BRADLEY. No; the 70-foot car is a complete railway post office. The 30-foot apartment is a 30-foot railway post office in a combination car 60 or 70 feet long, the remainder of which is devoted to express or baggage.

Senator MARTINE. That is devoted to railroad purposes, and 30 feet of it to Government purposes?

Mr. BRADLEY. That is correct. I think these pictures give a clear idea as to the large amount of space occupied purely for postal distribution and not available for transportation purposes.

The supplementary space payment, while amounting to a total of about \$4,000,000, is really a very small allowance when it is analyzed. The extra pay for a 60-foot R. P. O. car is a little less than 5½ cents per running mile. The Government, therefore, obtains the use for sorting purposes of 75 per cent of the 60-foot car for a payment of 5½ cents per mile, or about what two passengers would pay for a very much less space in the passenger coach.

Anyone in any degree familiar with the question of railroad mail service knows that under the present law the space pay can apply only to the full railway post-office cars which are reported to constitute about 39 per cent of the total car space used in the transportation of the mails. There is no space pay for mail apartment-car service or for storage-car service or for closed-pouch service.

It seems necessary to emphasize this point, because in the recent debate in the House of Representatives the chairman of the Post Office Committee, Mr. Moon, made the following statement of February 28 (pp. 3727-3728):

The Government puts apartment cars on the short lines, while on the long lines they have full railway post-office cars and storage cars. Where they have those the Government pays for the weight, and also pays for the space, because it pays for the full railway post-office car and for the storage car by space and for carrying the mail by weight.

Also the Representative from Illinois, Mr. Madden, in a speech on February 11 (p. 2732), makes the following remarks:

The railroads of the United States contend that they ought to be paid not only for the weight of the mail they haul, but that they ought to be paid for all the space in all the cars they haul besides. We contend that that is not just. We contend that if they are paid for the weight, they ought not to be paid for the space; that if they are paid for the space, they ought not to be paid for the weight.

As already explained, 90 per cent of the present pay to the railroads is based on the weight of the mail transported. The scale of rates for the different weights as prescribed in the law of 1873 is on a scientific basis, and has attracted sincere approval from transportation students. For example, Prof. Henry C. Adams, in his interpretation of the law before the Wolcott-Loud Commission, pointed out, first, that the basis of compensation is not weight alone, but weight multiplied into distance; second, that the law of 1873 is

drawn in harmony with the fundamental law of transportation, namely, that volume of traffic renders economy possible; and, third, that its natural operation concentrates mail traffic upon the most direct routes.

The utilization of the wholesale and retail principle provides a range of rates which permits of the rate of pay on a light route being much higher than the rate of pay for a like amount on a heavy route, although in both cases the respective railroads might enjoy adequate compensation.

The scale of rates as named in the law of 1873 for specific weights has, of course, not been improved in clarity by the horizontal reductions that have been made by laws passed since that time, but the intrinsic principle has not been affected.

To make clear the effect of the descending scale of rates included in the law of 1873, the following explanation may be helpful. Let us compare the successive units of pay with the successive units of weight to be carried for that pay. The first unit of pay is \$42.75 per mile per year for a road that carries 200 pounds per mile per day. When a second payment of \$42.75 is made, it insures the conveyance of 800 pounds a day instead of 200 pounds, as named in the first citation. The third payment of \$42.75 covers the transportation of 1,000 pounds daily; the fourth payment of \$42.75 secures the conveyance of 3,000 pounds daily; the fifth payment of \$42.75 secures the conveyance of 4,210 pounds daily; and the sixth payment secures the carriage of 4,442 pounds daily. In other words, the first pay unit of \$42.75 pays for 200 pounds, the second pays for four times as much, the third pays for five times as much, the fourth pays for fifteen times as much, the fifth pays for twenty-one times as much, and the sixth for twenty-two times the original weight.

In order to observe the harmony of this plan with general transportation rate conditions, it is well to bear in mind that the highest rate of pay mentioned in the law is equivalent to \$1.17 per ton per mile, while the lowest rate is equivalent to 5½ cents per ton per mile; further, that the highest rates are predominant on the short lines, while the lowest rates are predominant on the trunk lines.

COMPARATIVE TON-MILE RATES UNDER PROPOSED SPACE BASIS.

Closed-pouch service: This class of service, where the closed mails are carried in charge of the baggage-master, is characteristic of the only service performed on many of the short-line railroads. The rate named in the bill is 1½ cents per mile for 3 feet. Approximately a ton of mail can be carried in 3 feet on both sides of the car. Assuming that a trip of 50 miles is made, the initial and terminal allowance would add ½ cent to the rate just quoted; therefore the rate per ton-mile would be about 2 cents. If 7 feet of space were authorized, the rate per ton-mile would be approximately the same—2 cents.

Apartment-car service: A 15-foot mail apartment could conveniently carry a ton of mail, and for a run of 100 miles the rate would be equivalent to 8 cents per ton-mile. A 30-foot apartment car can conveniently carry 2½ tons of mail in the storage space allotted, and this for a run of 100 miles would be 5½ cents a ton-mile.

Railway post-office cars: A 60-foot R. P. O. car, making a 300-mile run, would yield a return to the railroad company under the

terms of the proposed bill, 7.4 cents per ton-mile, if a 3-ton load were carried, or $4\frac{1}{2}$ cents per ton-mile if a 5-ton load were carried.

Storage cars: On a run of 500 miles a 60-foot storage car, with a 5-ton load, would yield 4.4 cents per ton-mile. A 10-ton load in the same car would yield 2.2 cents per ton-mile. A 20-ton load would yield 1.1 cents per ton-mile.

To sum up the space-basis rates converted into ton-mile rates under the conditions described would range from a minimum of $1\frac{1}{2}$ cents per ton-mile to a maximum of 8 cents a ton-mile, as compared with the range in the existing law, which extends from $5\frac{1}{2}$ cents to \$1.17 per ton-mile. It will be observed that the minimum rate per ton-mile allowed by the proposed space basis is only 25 per cent of the lowest price paid under the existing system. The maximum rate per ton-mile paid under the proposed space basis, 8 cents, is less than 8 per cent of the maximum rate per ton-mile under the law of 1873.

RANGE OF FIRST-CLASS FREIGHT RATES.

In the recent debate in the House of Representatives, the Representative from Illinois, Mr. Madden, made the following remarks (p. 2732):

The average ton-mile charge for freight, except first-class freight, is less than carload lots moved by fast freight, is less than seventy-one one-hundredths of a cent per ton-mile, and the average payment for fast freight on less than carload lots, on high-class commodities such as silks and all high-grade materials that have great value and in connection with the movement of which great risk is incurred by the railroads, is from 3 to $4\frac{1}{2}$ cents per ton-mile, depending upon the character of their freight haul. Now, 10.17 cents per ton-mile for the movement of mails, though in fast trains, compares very favorably with the figures that I have just given, it seems to me.

According to the information I have been able to obtain, the gentlemen is seriously mistaken in most of these statements. Materials such as silk and those of similar high grade are rated higher than first class, taking in some cases double first-class rates. The ordinary first-class freight, to which the first-class rates are applied, consists of such articles as boots and shoes, candy and confectionery, clocks, dry goods, groceries, leather goods, optical goods, and printed matter, such as almanacs, catalogues, etc., when in boxes, bundles, or crates.

Further, the rates for first-class freight have a much greater range than from 3 to $4\frac{1}{2}$ cents per ton-mile, as will be more particularly explained later on.

But before taking up that phase of the matter we feel warranted in contending that the mail rate per ton-mile is much lower than 10.17 cents; we feel warranted in asserting that the correct rate is about 7.6 cents, or about 25 per cent lower than the figures given by Mr. Madden.

Now, as to the rates for ordinary first-class freight, which Mr. Madden says are from 3 to $4\frac{1}{2}$ cents per ton-mile, I will first refer to an official list of freight tariffs prescribed by the railroad commission of the State of Minnesota in 1914. This shows rates for various classes and commodities for distances of from 5 miles to 400 miles. The rates approved and directed by this commission for first-class freight range from a minimum of $3\frac{1}{4}$ cents to as high as 48 cents per

ton-mile. The second-class freight rates range from 2.9 cents to 40 cents a ton-mile. The third-class rates range from 2.3 cents to 32 cents a ton-mile. The fourth-class rates range from $1\frac{1}{4}$ cents to 24 cents a ton-mile, and the fifth class range from $1\frac{1}{4}$ cents to 19 cents a ton-mile.

I have also collected a number of actual quotations from different sections of the country which show similar results. For example: Rates on the Southern Pacific Railway, for distances varying from 46 miles to 782 miles, range from 3 cents to 13 cents per ton-mile. Rates on the Atchison, Topeka & Santa Fe, for distances varying from 52 miles to 205 miles, range from 6 cents up to 13 cents per ton-mile. I have a large number of illustrations in Southern territory for distances varying from 46 miles to 251 miles, the rate per ton-mile ranging from a minimum of 5 cents to a maximum of $16\frac{1}{4}$ cents. On the Pennsylvania System 12 instances have been casually selected for distances varying from 58 miles to 1,052 miles, with a range for first-class freight from a minimum of 1.7 cents to a maximum of 7.3 cents per ton-mile.

CONCRETE RESULTS IN VARIOUS DISTRICTS.

To show the concrete results of the space basis on railway mail pay for particular railroads, let us assume that a mail-storage car is loaded with 10 tons of mail and compare its earning with 10 tons of first-class freight in a freight car.

From Charlotte, N. C., to Greenville, S. C., 107 miles, the mail would pay the railroad company \$25.72; whereas, the freight would pay \$112, more than four times as much, although the mail would have superior service in every respect and much greater expedition.

From Richmond, Va., to Wilmington, N. C., 244 miles, 10 tons of first-class freight would pay the railroad company \$100, while the same quantity of mail would only pay \$55.49.

Between New York and Philadelphia, 92 miles, 10 tons of first-class freight would pay the railroad company \$46.20, while 10 tons of mail would only pay \$23.57, or about one-half as much for superior service on passenger trains or special mail trains.

Between New York and Boston, Mass., 213 miles, 10 tons of first-class freight would pay the railroad company \$70; whereas, 10 tons of mail would only pay \$48.98.

Between New York and San Francisco, Cal., 3,185 miles, 10 tons of first-class freight would pay the railroads \$740, while the same quantity of mail would pay only \$673.10. The mail would pay less although it would be carried to destination within four days, while the freight would require a journey of about two weeks.

These cases are typical as showing what the result would be all over the country.

Is it not clearly evident that the proposed space plan is:

First. Revolutionary, being antagonistic to the existing freight rate and express rate structure for the whole country.

Second. Unscientific, because it is not based upon existing conditions and relations.

Third. Unjust, because it would pay less for a superior service than the railroads now receive for an inferior service, the latter being

based upon charges approved by the Interstate Commerce Commission, a governmental body.

Fourth. Confiscatory, because under a penalty of \$5,000 fine the Post Office Department is empowered to command the use of the railroad companies' cars, roadbed, terminals, and other facilities at an unremunerative rate; not for a minimum or average service, but for a maximum service with the heaviest possible load. This would not be for the Government's business, which is less than 4 per cent of the tonnage, but for the business of other citizens.

I refer here to "franked" and "penalty" matter that the Third Assistant Postmaster General estimated is about 4 per cent or less, of the total mail tonnage. This would not be for mail as heretofore recognized, but for merchandise and commodities now being carried by the railroad companies in the freight or express service upon rates that have the active or tacit approval of the Interstate Commerce Commission.

Fifth. Unsystematic and disorderly, because it would divert freight from freight terminals to the passenger terminals where mails are now handled, and would delay passenger trains for loading and unloading at local stations, thus causing serious irregularities in the passenger train schedules and all for a class of business which does not seek, and ordinarily does not require, the superior service of passenger-train schedules.

THE INEVITABLE TECHNICALITY OF THE QUESTION.

The inevitable technicality of the question will probably account for the misunderstanding revealed in the debate in the House of Representatives. Some of these have already been referred to, but others not yet mentioned would indicate that the hearing of three days granted to the railroad representatives by the House Post Office Committee should have been considerably prolonged. The senior members who discussed the measure in detail during the debate in the House differ considerably as to its effects upon railroad revenue. The chairman of the committee, Mr. Moon, suggested, on February 17, that it would carry an increase of four to four and one-half millions of dollars, but on February 28, after introducing amendments that he said would add \$1,900,000 to the pay, he described the bill as giving the railroads three to four million dollars more than the previous bill carried. Representative Madden said the bill carried \$6,000,000 additional for the railroads. Representative Cox, of Indiana, declared that Representative Madden had demonstrated conclusively in his speech that the railroads would get from five to six million dollars more per year than they are getting under the old system, but he added that "if I felt that the time could never come that the Government would recoup in some way that extra \$6,000,000 which to my mind the railroads will get under this bill I could not conscientiously support it." Representative Lloyd, of Missouri, who is exceptionally well informed on postal subjects, said, on February 17:

My candid judgment is that under this bill, instead of it costing \$4,000,000 extra to carry out the provisions of it, when it is economically administered it will not cost the Government one cent more than the present system. The

truth about it is that the compensation which will be received by the railroad companies in the next year, if this bill is adopted, in my judgment will be practically the same compensation which they receive at the present time.

The railroad representatives endeavored to explain to the House committee the serious objections to the proposed space plan, as well as to the various powers sought by the Post Office Department in the bill under consideration, and feeling convinced of the strength of that position can only account for the passage of the measure by assuming that the technicality of the subject, as well as the pressure of other business upon the congressional Representatives, have prevented a clear understanding.

The chairman of the committee, Mr. Moon, in his speech of February 28, referring to the railroads, asked:

Why is it that they want to maintain a system under which in thirty-odd years there has been an abnormal growth in the mail pay of the United States from \$7,000,000 to \$60,000,000?

He did not seem to remember that the tonnage of the mail had increased from 24,000,000 ton-miles in 1873 to 679,000,000 ton-miles carried by the railroads in 1915, and that while the pay had increased eight times the service rendered had increased twenty-eight times.

Some of the Representatives on the Post Office Committee contended in debate that the fate of the parcel post depended upon the passage of this space-basis bill, but no such argument appealed to Congressman Lewis, of Maryland, a deep student of postal questions, who said, "It has not cost the Post Office Department of this country for traffic added in postal work during the last three years more than 6 cents a ton-mile for such new traffic" and referred to the space plan as a "dubious railway-pay proposition." It may be mentioned here that when Congressman Lewis appeared before the joint congressional commission on railway mail pay on May 14, 1913, he said (p. 696):

Mr. Chairman, the ton-mile standard is the ideal one for Government purposes. Its parcel rates are predicted on weight and distance, and if it is desired to know how much to load such rates to pay the railways for their service such service must be measured in terms of weight and distance. If this standard should be replaced by a car-space standard alone, it would require years to learn the convertible proportions of the parcels weights, ratios, with car-space values. Meanwhile the loading for railroad mail pay would be either too high or too low, with attendant effect disastrous to either the potential traffic or the Treasury.

Another illustration of the intricacy of the subject is furnished by the fact that an amendment which was offered in the House on February 26 in regard to initial and terminal rates and intended to raise the pay about \$1,800,000, was so worded as to carry an increase of \$6,700,000, and this error was not perceived or admitted until February 28, when Representatives opposed to the measure called attention to it with sufficient persistence as to secure the admission and correction of the error.

Many similar references could be made as to the insufficient understanding of the question in the House. For example, Representative Lloyd said, February 17, 1916, page 3102, Congressional Record:

It is rather a remarkable thing that there have been three commissions appointed whose duty it was to carefully investigate the subject of railway mail pay, and each of those commissions decided in favor of the space plan.

Now, the fact is there were four commissions; the Hubbard Commission of 1878, the Post Office Department committee of 1883, the Wolcott-Loud commissions of 1898 and 1901, the joint congressional committee of 1912 to 1914.

None of these commissions, except the last, had the parcel post to consider.

The first decided for a space basis, resting on the quantity of mail carried, maximum load per car, 15,000 pounds, rates to be moderated by speed, board of arbitration provided for.

The second decided for a space basis resting on definitely prescribed weight gauges—13 feet for 500 pounds up to 60 feet for daily average of 8,000 pounds, and maximum load per car, 8 tons.

This committee of high officers of the Post Office Department said it was of importance to restrict the authorization of car space so that the allotment would not be purely in the discretion of executive officers, hence the weight gauge.

The department was given a definite rule to follow, and the commission also provided for a board of arbitration which could give immediate attention to differences occurring. The commission consisted of the Second Postmaster General then in office, and two other officers of the Post Office Department. It was appointed by the Postmaster General in response to an act of Congress directing a particular investigation.

This commission decided upon a space basis, but resting on definitely prescribed weight gauges.

The third, the Wolcott-Loud committee, did not recommend any change in the method. On the contrary, they said:

After carefully canvassing the whole situation we are of opinion that, all things considered, the present plan of adjusting the railway mail pay is the most fair and feasible one, and are satisfied that it is the most advantageous one to the Government, and believe that it, on the whole, is as just to the railroads as any that can at present be devised.

The last, the Bourne committee, did recommend a pure space basis, but endeavored to leave as little discretion as possible to the executive officers by providing definite rates and specifications of service in the law as far as seemed practicable. The Moon rider is the antithesis of this idea, because it gives the greatest latitude to the executive officers.

There has been no discussion in this paper regarding the terms of the bill. It is well known that it confers extraordinary and unusual powers upon the Postmaster General. It is equally well known that the unanimous report of the joint congressional commission, of August 31, 1914, condemned in very strong terms the unwisdom of granting such extraordinary powers as were sought by the Post Office Department. The bill in its present shape goes further in the direction criticized than the original measure. Anyone who has studied the subject of railway mail pay and who considers it in connection with the present tendencies of the Postal Service, and who realizes the large experience and prolonged study that are necessary for a correct understanding of the problem, must inevitably conclude that the whole subject is one which should be submitted by Congress to an expert body such as the Interstate Commerce Commission for a thorough consideration and report with recommendations.

Senator PENROSE. How long would it take the Interstate Commerce Commission to make the report? Have you any idea?

Mr. BRADLEY. It would depend, Senator, upon how deeply they went into it.

Senator PENROSE. Of course, I did not know but what you had an approximate idea.

Mr. BRADLEY. The railroads, in recommending an annual weighing, not only do so because they believe it is just to have a more frequent accounting than every four years, but also because they believe that the ascertainment of the actual weight carried would be of paramount importance to any body, such as the Interstate Commerce Commission, in making an investigation of this subject. Probably it would be necessary to have the experience of one or two years of annual weighing simultaneously throughout the country before the Interstate Commerce Commission could make much progress in arriving at any settled convictions on the subject.

Senator HARDWICK. Mr. Bradley, if we are to refer it to the Interstate Commerce Commission at all, why not give them the same power to dispose of the matter finally that they have over passenger rates, instead of reporting back to Congress and studying the debate all over again among men in both branches of Congress who have no accurate knowledge of the subject? You said it should be referred to the Interstate Commerce Commission and let them report back. I thought you said that.

Mr. BRADLEY. That is in connection with the recommendations made by the railroads, which I mentioned earlier.

Senator HARDWICK. I know, but I am not thinking so much about that, but I am thinking about the easiest and best way to do it. If we are to refer it at all to the Interstate Commerce Commission, why shouldn't they handle it just like they do the freight proposition or the passenger proposition, and let them determine what is a reasonable and just rate, or what system is best, and apply it, instead of sending it back to Congress and starting the debate all over among 435 men in one body, 96 in the other, who haven't time, opportunity—and inclination in some cases—to familiarize themselves with it and know what is the right thing to do about it? What is your idea about that?

Mr. BRADLEY. I think probably that is the most sensible course to pursue, to refer it to the commission for definite action.

Senator HARDWICK. Definite and final action, just like we say they shall fix reasonable and just passenger rates. Why shouldn't they fix railway mail rates and enforce them the same way?

Senator PENROSE. But there is this difference: Ultimately it will have to get back to Congress, because they make the appropriations. That will be a departmental estimate, but Congress will be free, as it is in the estimate of other departments, to use its own judgment as to how far it will carry out the recommendations of the department.

Senator HARDWICK. But not the determination of the question suggested, which is the weight system and what the rates of pay ought to be. That ought to be fixed, I think, permanently by somebody that knows what is right about it.

Senator PENROSE. It seems to me it would only have the status of a departmental estimate anyhow.

Senator TOWNSEND. Of course, this is only a matter of argument before the committee, to bring out the ideas.

Senator HARDWICK. Yes. Now, is it true that at any time the railroads have themselves recommended or have agreed to a space system?

Mr. BRADLEY. Not in any formal way. I do not think it could be said that more than a few individuals here and there have entertained a favorable idea as to space. The vast majority, I would think 95 to 98 per cent of the railroad officers who have given consideration to the matter, have been in favor of the weight basis.

Senator HARDWICK. Wasn't it reported some time, in some of these committee hearings, that the railroads had at one time agreed, or were about to agree, to the space system?

Mr. BRADLEY. Such remarks have been made in the House side, but I could not confirm them.

Senator HARDWICK. You do not know whether that is an accurate statement or not?

Mr. BRADLEY. I would say they were not accurate. But no specifications were ever given in sufficient detail so that the assertions could be properly met.

Senator HARDWICK. When were the assertions made?

Mr. BRADLEY. I think in the recent debate in the House suggestions were made that quite a number of railroad men were in favor of the space basis, but when that was more definitely described the only distinct reference I saw was that the New York, New Haven & Hartford road had favored it some years ago, but afterwards changed their mind. I think it was said they had changed their minds on the subject, but had not been able to convert back those that they had at first persuaded.

Senator MARTINE. Mr. Bradley, you, in common with almost all the other railroad representatives, are in favor of an annual weighing, are you not?

Mr. BRADLEY. Yes, sir.

Senator MARTINE. It has been intimated by some of those who preceded you that they would be willing to pay for the weighing. Does that meet with your approbation?

Mr. BRADLEY. Substantially. I think our thought is the same. It is usually expressed in the way of contributing their services. But I do not think there would be any hesitation toward a reasonable contribution, whatever might be fairly adjudicated to be their proportion.

Senator MARTINE. It was not so qualified by your predecessors. They thought they would be willing to pay for the weighing in the presence of a certified officer of the Government—the postmaster or otherwise.

Mr. BRADLEY. Well, if they contribute the services of their employees, that would be the same thing. I think there is no doubt but that the most thorough cooperation would be given.

Senator CATRON. If they did do that, that would have to be taken into consideration in fixing the rate, would it not?

Mr. BRADLEY. Yes; but I think that is a minor matter.

Senator MARTINE. Now, what is the distance you are required to carry the mail from the depot to the post office?

Mr. BRADLEY. Within 80 rods—a quarter of a mile.

Senator MARTINE. Now, let me ask you this: If you were relieved of this particular burden, which you all feel is a burden, would you be satisfied generally with the present rate?

Mr. BRADLEY. Why, the railroads have not asked for any increase in the rate.

Senator MARTINE. But you say generally they are not satisfied with the rate?

Mr. BRADLEY. They would like to see an annual weighing.

Senator MARTINE. Then, with an annual weighing, you think the rate would be satisfactory?

Mr. BRADLEY. It has not been questioned at all.

Senator MARTINE. I want to say it is not altogether clear to me why the Government should pay, under certain conditions, both for weight and space. I can not get that through my mind—why they should pay for both space and weight.

Senator TOWNSEND. They do not in the same case.

Mr. BRADLEY. The Post Office Department never pays for the same space twice. They only pay for the space they themselves occupy with their postal furniture and clerks.

Senator MARTINE. But at that time they do not pay for weight?

Mr. BRADLEY. No; the weight is on another basis from space entirely. There is no double payment whatever to the railroads.

Senator MARTINE. But why it is that the two systems are carried along? Why not have it all weight or all space? Would it not be all the same to the railroad?

Mr. BRADLEY. Well, you see, in the railway post-office cars there is a large amount of space that is simply occupied by the postal clerk and the furniture. Back in 1873, when the postal cars were being introduced, the railroad managers of those days rather objected to providing those railway post-office cars merely for the pay they got for the weight of mail that they could carry compactly in much less space, so Congress in 1873 passed a law recognizing the equity of making a supplementary allowance for these full postal cars, because they were so largely occupied by the postal furniture and postal clerks assorting the mail on the route.

Senator MARTINE. I am not asking because I feel any bias in the matter one way or the other, but only for information.

Now, all your comparisons of the amount of money that the railroads get from the railway mail are in comparison with what you get for a freight car, or for freight traffic?

Mr. BRADLEY. Yes, sir.

Senator MARTINE. Now, may not an investigation show that your railroad freights were too high?

Mr. BRADLEY. Well, those rates are passed on by the Interstate Commerce Commission, and it has been an active body since 1887. Of course, there may be a number of freight rates that ought to be readjusted, but as a general thing they have been tacitly approved.

Senator MARTINE. Then, generally speaking, your contention is that you feel the matter should be referred to the Interstate Commerce Commission?

Mr. BRADLEY. Yes, sir; it is too technical to expect that the Members of Congress, no matter how intelligent they are, have time or energy to go into the details of this particular problem.

Senator PENROSE. We would certainly get a great deal of valuable information from the Interstate Commerce Commission anyhow.

Mr. BRADLEY. You might say they understand the language of the railroad men when they appear before them; they know just exactly what they are talking about.

Senator PENROSE. They gradually become railroad men themselves, in the sense of understanding the traffic?

Mr. BRADLEY. Yes, sir.

Senator TOWNSEND. Mr. Bradley, I have been interested in trying to find out why this penal clause of \$5,000 was inserted in that bill. Have the railroads heretofore refused to comply with the requirements of the Postmaster General, with reference to carrying the mail?

Mr. BRADLEY. I suppose, Senator, that the answer to that question could be made best by the Post Office Department. They originated that measure. It first appeared in connection with the bill of Postmaster General Hitchcock, in 1911, when he sought to base the railway mail pay on the basis of the ascertainment of cost by the Post Office Department. It was a rather extraordinary proposal, because it involved the assumption by the Post Office Department of dividing the railroad's expenses between freight and passenger service, a duty that the Interstate Commerce Commission does not yet feel competent to perform; and, then, after making that division of the railroad's expenses between freight and passenger service, the Postmaster General was to further subdivide the passenger-train expenses between passenger, express, and mail service. And, having ascertained the cost in that very scientific and elaborate way, he was going to add 6 per cent and pay the railroads on that basis.

Well, that recital indicates to you how complicated and how very unusual the proposed law was. And perhaps it was not to be unexpected—in introducing such an extraordinary measure, that would certainly be very much disapproved by railroad managers, that a clause would be introduced making the carriage of the mail compulsory. That is the way I have analyzed in my own mind the introduction of that punitive clause at that time. It was its first appearance, so far as I know, in the history of the Postal Service.

Senator TOWNSEND. Well, now, the balance of my question—have the railroads refused, to your knowledge, to comply with the requirements of the Postmaster General under existing law for the carrying of the mail?

Mr. BRADLEY. Speaking for the railroads as a whole. I would say no. I believe there have been a few cases—very few—of roads in the Far West and South, where there has been absolute refusal to carry the mail. But there are very few instances. Those are short-line roads. I do not suppose they would comprise one-tenth of 1 per cent of all the roads of the country. I would regard that as a very exceptional condition and one that could be readily met by the payment of adequate compensation.

Senator TOWNSEND. That would leave the matter to the railroads to determine whether they were adequately paid, wouldn't it?

Mr. BRADLEY. Why, I have always thought that there was a great deal in favor of such a board of arbitration as some of these commissions have spoken of and recommended. If there were a board

sitting that could grant compensation in those exceptional cases throughout the country, relieving the Postmaster General of the responsibility, yet permitting the law passed by Congress to have otherwise uniform application, I think it would be a very good thing.

Senator TOWNSEND. It seems to me something ought to be done along that line. But the provision had not appeared in the past, and I was wondering what new fear the Postmaster General might have, unless it was, as you suggest, that the railroads would rebel at any such drastic law as this, and thus tie up the mails.

Mr. BRADLEY. It is almost impossible for a railroad to refuse to perform the service. They could not so rebel against public opinion. It would only be in the case of a little road where the department could readily put on substitute service. Say the road carried a distance of 25 miles; the department, by spending a little more money, could put on wagon service or automobile service. In other words, the Government is not absolutely dependent upon that particular road for the performance of mail service in that section.

The CHAIRMAN. Mr. Bradley, don't you think perhaps public sentiment would compel the railroads to accept any reasonable rate?

Mr. BRADLEY. There is no question about it, Senator. The railroads must carry the mails.

The CHAIRMAN. You would have some difficulty in running your trains if you should refuse to carry the mail, would you not?

Mr. BRADLEY. Well, I do not think that is very often attempted.

Senator PENROSE. That is sort of a practical question, I think. They are always carried.

The CHAIRMAN. Are you through with your general statement, Mr. Bradley?

Mr. BRADLEY. Yes, sir.

The CHAIRMAN. Does any member of the committee desire to ask Mr. Bradley any further questions? If not, you may be excused.

Mr. BRADLEY. I would like, before leaving the stand, to explain another matter. It has been sometimes suggested that the trunk lines are probably overpaid for carrying the mails, while the short lines are underpaid. I think some Members of the House, for instance, and perhaps others, have believed that the proposed space basis would readjust that pay so that the short lines—the poorer lines—would get more of it and the trunk lines would get less of it. I thought I would explain to you that before the joint congressional committee, the Bourne Commission, testimony was submitted under oath which showed that under the ascertainment of the cost of performing that service—you may remember the railroads made a general test for the month of November, 1909—the Southern Pacific system with 10,000 miles of mail route and with an annual pay from the Government of \$2,474,000, said under oath that the amount received was short of meeting the operating expenses and taxes alone to the extent of \$397,000 a year, and, of course, made no contribution to the payment of interest, dividends, or surplus.

The Pennsylvania Railroad system, operating 9,800 miles of mail routes, testified at the same time that their annual mail pay of \$5,870,000 was short of meeting operating expenses and taxes alone to the extent of \$348,462, and therefore made no contribution to interest, dividends, or surplus.

The Santa Fe lines, with 9,300 miles of mail route, testified that their annual pay for 1909—\$1,914,000—was less than the operating expenses, taxes, and fixed charges by \$36,000, and, of course, made no contribution to dividends or surplus.

The New York Central lines, with 10,042 miles of mail routes, said that their mail pay in 1909 of about \$6,000,000 barely covered operating expenses and taxes, and left nothing for interest upon the investment in the property.

Senator TOWNSEND. Now, do you mean by that that this pay—you compare this pay with the total operating expenses of the railroads?

Mr. BRADLEY. Yes, sir.

Senator TOWNSEND. Not the expenses connected with this particular service?

Mr. BRADLEY. Why, it was a subject of division of expenses of the railroad company to each class of traffic; first of the freight, then to the passenger, and then a subdivision of the passenger into passenger, express, and mail. And, dividing the expenses in that way, the amount allotted to the mail service by that mathematical process was not fully covered by the pay received from the Government. I think that if this data that I have referred to was before the Interstate Commerce Commission they would be obliged under their past decisions to find that the mail pay did not produce sufficient remuneration to the companies.

Senator HARDWICK. But there is a good deal of bookkeeping in that, is there not?

Mr. BRADLEY. Yes, sir.

Senator HARDWICK. There might be some very serious issues drawn as to the system applied. In other words, the railroads simply claimed they did not come out even on the thing?

Mr. BRADLEY. Well, they exposed their entire method of calculation before the committee.

Senator HARDWICK. They did?

Mr. BRADLEY. Yes, sir; but of course there are differences of opinion as to the precise method of dividing expenses. There is no doubt about that. But these results were not seriously questioned before the committee.

Senator HARDWICK. What committee was it before?

Mr. BRADLEY. The joint congressional committee. Senator Bourne was chairman of it, and Senator Bankhead and Senator Weeks were members of it.

Senator TOWNSEND. Now, I do not believe that I have this clear in my mind yet, Mr. Bradley. Is it your contention that the Government should pay the railroads a sufficient amount of money to afford carrying the mails to cover all of the operating expenses of the railroads for all kinds of business or just for the mail business?

Mr. BRADLEY. The mail business?

Senator TOWNSEND. That is what I wanted to know.

Mr. BRADLEY. I did not mean, Senator, that the pay granted by the Government for the carriage of the mails should be based upon the cost of performing the service, because that process is obscure and difficult, but that in testing the adequacy of that compensation by a mathematical process of dividing your receipts and expenses between your various classes of traffic, if it should be found that the mail traffic failed to provide sufficient—its share of those expenses—

it would be incumbent upon a scientific commission like the Interstate Commerce Commission to direct that the amount be raised to a sufficient amount. It is more as a test.

Senator TOWNSEND. That is my understanding, but I thought it might be construed otherwise.

Senator BECKHAM. Those figures you read about the operating expenses of the railroads did not mean the entire operating expenses?

Mr. BRADLEY. Oh, no; the operating expenses and taxes fairly attributable to the mail service as its portion of the total.

Senator TOWNSEND. That is what I understood, but your language was such that I thought you meant something else.

Senator MARTINE. You would be perfectly satisfied with the proposition of annual weighing, the railroads participating, giving their help for the annual weighing required, in the presence of a certified officer of the Government, and at the present rate of transportation?

Mr. BRADLEY. Yes, sir.

The CHAIRMAN. Are there any further questions to ask Mr. Bradley? Does any member of the committee desire to ask Mr. Bradley?

We will next hear Mr. De Berard, of the Chamber of Commerce of New York, on this question.

Senator PENROSE. We will have to go to the Senate pretty soon, Mr. Chairman.

The CHAIRMAN. Mr. De Berard, how long will it take you?

Mr. DE BERARD. I shall not be very long, but I can not tell exactly the time it would take me.

The CHAIRMAN. Well, we have all got to go to the Senate at 12 o'clock, and we will not have but 10 minutes.

Senator PENROSE. I move that the committee take a recess until 2 o'clock this afternoon.

The CHAIRMAN. We might meet a little earlier than that. Without objection we will recess until half past 1 o'clock this afternoon.

(Thereupon the committee took a recess until 1.30 p. m.)

AFTER RECESS.

The committee reassembled at 1.30 o'clock p. m., pursuant to recess.

The CHAIRMAN. You may proceed, Mr. De Berard.

Before you begin, Mr. De Berard, you are speaking now for the Merchants' Associations, not only of New York, but of allied and associated institutions?

STATEMENT OF MR. F. B. DE BERARD, DIRECTOR OF RESEARCH, MERCHANTS' ASSOCIATION OF NEW YORK.

Mr. DE BERARD. The Merchants' Association of New York, after a very thorough and painstaking investigation of this question of railway mail pay, adopted certain resolutions which I wish to read into the record. Those resolutions were transmitted to our correspondent associations and chambers of commerce throughout the United States. Fifty-five of those associations, after examining the resolutions of the Merchants' Association of New York, and the report which accompanied it, stating the reasons for those resolutions, substantially concurred in the position of the Merchants' Association in opposition to the Moon bill—to the bill which was

recommended by the Bourne joint congressional committee, and to the principle of payment for the carriage of mails by space.

The CHAIRMAN. Then, as I understand it, you are here for the purpose of representing and speaking for these associations, and not for the railroads? Have you had any requests from the railroads to appear?

Mr. DE BERARD. We have had no requests from the railroads, nor any communication, nor any influence of any kind whatsoever brought by the railroads to influence this report.

Senator MARTINE. Your merchants' associations—do we understand they are shippers? Are they entirely shippers?

Mr. DE BERARD. Not entirely; but a very large percentage of them are shippers. Probably 80 to 85 per cent of the members of the Merchants' Association of New York, comprising 3,400 members, are shippers.

Senator MARTINE. Let me ask, have you any association, directly or indirectly, with the railroads—as an association? I ask that only so that your testimony may be free from any application to anyone.

Mr. DE BERARD. The constitution and by-laws of the Merchants' Association of New York provides that the representatives of any business or property interests in New York are eligible to membership. Most of the principal railroad lines are, through their representatives, members of the association under that provision. The railroad lines and their representatives, which are in the membership of the merchants' association, amount to about 1 per cent of the entire number.

Senator MARTINE. Are you president of the organization?

Mr. DE BERARD. I am director of research.

Senator CATRON. The railroads you say are about 1 per cent?

Mr. DE BERARD. Yes; about 1 per cent.

Senator MARTINE. Who is president of the organization?

Mr. DE BERARD. William Fellows Morgan is the president.

Senator MARTINE. Of New York?

Mr. DE BERARD. Yes, sir. And in this connection I desire to say that this investigation was undertaken by the merchants' association solely on its own initiative. There was no request from the railroads that it be undertaken by the association, nor were the railroads nor any representative of the railroads aware that this investigation made by the merchants' association was in progress until the report which resulted from it had been considered and adopted by the committee on postal affairs and thereafter approved by the board of directors.

Senator MARTINE. I am satisfied with that.

Mr. DE BERARD. I wish further to say that I have been connected with the merchants' association for 19 years, and there has not been a time during that period of 19 years when we have not had proceedings adverse to the railroads in progress. And in the Congressional Record of March 3 you will find—if you care to refer to it—a record of some 30 of those proceedings in which the association took a position adverse to the railroads.

Senator MARTINE. I guess that is sufficient, Mr. Chairman.

The CHAIRMAN. Proceed, Mr. De Berard.

Mr. DE BERARD. Our committee on postal affairs, in June, 1915, instructed me, as their expert upon economic questions, to make a

full investigation of the question of railway mail pay, in such manner as to inform them whether or not the present compensation of the railroads is excessive and whether or not the proposed basis of payment by space would be a sound and proper principle. I received no instructions in detail, and proceeded upon that line simply to develop the facts and the economic bearing of the facts for the guidance of our people. I made a report of considerable extent, which was carefully considered by our committee on postal affairs and was adopted substantially as submitted by me. They in turn made a report to our board of directors indorsing the recommendations included in my report, and the board of directors thereupon adopted the following resolutions:

Whereas it is of vital importance to every business interest and to the entire people that their means of transportation constantly be maintained at the highest practicable point of efficiency, which condition is impossible unless the railroads be assured of the revenues necessary for their proper support; and

Whereas it is shown by the analyses of the Interstate Commerce Commission—
(a) That railroad revenues as a whole are insufficient and should be increased, and

(b) That the deficiency is mainly due to insufficient passenger-service earnings; and

Whereas it is shown by the analyses of the Bourne Joint Congressional Committee that the earnings of the mail-traffic branch of the passenger service are approximately 22½ per cent below the average earnings of the passenger service, which the Interstate Commerce Commission finds deficient as a whole; and

Whereas it is shown by the report of the association's committee on postal affairs that the average rate of compensation paid by the Government to the railroads for mail carriage has been reduced approximately 50 per cent since 1902, and now produces little or no profit and possibly entails a loss; and

Whereas the railroads receive no payment—

For increase in weight of mails during the four-year period following each quadrennial weighing;

For apartment-car space in 4,000 cars used mainly for assorting mails in transit; and

For so-called "side" and transfer service; the value of which uncompensated services is now approximately \$11,000,000 to \$12,000,000 per year; and

Whereas it is proposed to abolish the present method of payment by weight, and to substitute therefor payment by space exclusively, on a basis which will exact from the railroads great increase of service without corresponding increase in compensation; and

Whereas the space rate proposed is equivalent in the case of fully loaded cars to a rate of 1½ cents per ton-mile for freight carried for the Government on passenger trains, while the same high-class freight, if carried for private shippers on freight trains throughout the country would pay from two to three times that rate per ton-mile; and

Whereas the space-plan proposed totally disregards the principle upon which the entire freight-rate structure is based, namely, "rates proportioned to value of service"; arbitrarily limits the revenues which may be derived from mail carriage; makes the carriage of freight much cheaper on passenger trains than on freight trains; and dangerously attacks the existing freight revenues of the railroads: Now, therefore, be it

Resolved by the Merchants' Association of New York, That the public welfare requires that the country's transportation facilities be maintained in constantly efficient condition, to effect which end the railroads must receive adequate payment for their services; and therefore that rates shown to be unduly low should be advanced to a fair basis; and

Resolved, That in our opinion the compensation now paid the railroads for mail carriage is insufficient, and should be increased by payment for services at present uncompensated for; and that we therefore recommend (a) payment, for the present, for weight on the basis of the existing law, but with

provision for annual instead of quadrennial weighings; (b) payment for apartment-car space, pro rata, upon the basis of payment now in effect for full postal cars; (c) payment to the railroads for side and transfer services, or, as an alternative, that the railroads be relieved of the performance of those services; and

Resolved, That no new and untried plan for determining railway mail pay should be adopted unless or until approved by the Interstate Commerce Commission, after thorough investigation, with especial reference to the effect of such plan upon the railroads' existing freight revenues, and the equity of rates proposed for the carriage of postal matter upon passenger trains in comparison with the rates charged for first-class merchandise on freight trains, and we recommend that for not less than two years all weighings and adjustments for determining railway mail pay be supervised by the Interstate Commerce Commission, which commission shall obtain from the Post Office Department and the railroads reports covering all necessary information as to the service performed, and thereafter report to Congress, with recommendations as to further changes, if any, that should be made in the law; and we further recommend that pending such report and recommendations by the Interstate Commerce Commission the existing law be continued, but with the modifications indicated by the preceding resolution; and

Resolved, That the plan of space payment for mail carriage proposed by the Bourne and the Moon bills is excessively discriminatory in favor of the United States Government, in that it makes for mail freight carried on passenger trains a rate only about one-third to one-half the rate paid for high-grade freight carried on freight trains, which condition will promote the diversion to the mails of large quantities of high-grade merchandise, on all of which the railroads will suffer a loss of one-half to two-thirds of their present freight revenues, and therefore that the Merchants' Association of New York oppose any and all bills for the readjustment of railway mail pay on the basis mainly of space, or substantially as proposed by the Bourne and the Moon bills.

Senator MARTINE. I do not think the railroads could have printed a better brief for themselves than that. What other subjects does your association consider than just this railroad mail and freight matter? It seems almost as though they had written that themselves.

Mr. DE BERARD. They have been considered the natural enemies of the railroads, for the reason that the shippers have been the most active parties in attacking railroad rates. The Merchants' Association has been one of the foremost in that category, but the developments of the last few years have shown conclusively to the minds not only of the Merchants' Association but practically all of the important business organizations throughout the country, that they are not benefited by forcing railroad rates below a remunerative level. While doing that they are destroying, or tending to destroy, the very instrument upon which their own prosperity depends.

Senator MARTINE. You say they are not adequately or sufficiently paid; that was the judgment of your association? How is it that stock markets, the value of railroad stocks, does not seem to reflect that view? Railroad stocks stand pretty high in the market. The D. L. & W. and the Pennsylvania, the Reading, the Chesapeake & Ohio, and all your great railroads, are pretty well up.

Mr. DE BERARD. That is quite true.

Senator MARTINE. My friend over there shakes his head.

Mr. BRADLEY. Not all of them, Senator.

Senator MARTINE. I say, as a pretty general thing. Now, take the D. L. & W.—you are a railroad man.

Mr. DE BERARD. Do you refer to me or to yourself?

Senator MARTINE. I am not a railroad man; no, certainly not. You are a statistician and an expert. How do you account for the D. L. & W.—I think the last statement of the D. L. & W. shows that after

fixed charges, declaring dividends, and so forth, they had a surplus of \$900,000 for the last year, 1915. That does not look as though they were insufficiently paid. They paid dividends and fixed charges, and, of course, salaries, and had a surplus of \$900,000.

Mr. DE BERARD. It would be impracticable to take up the railroads of the country, one by one, and show their condition, and establish the reasons for that; but it is perfectly true that a number of the most prominent railroads, having a very dense traffic through fully developed territory—the roads that are the main currents of traffic of the entire country—are undoubtedly in a prosperous condition, in so far as their sufficient, and possibly excessive earnings, upon the capital value of their road is concerned. But that is not true of the country as a whole. The fact remains that during the past five years, while there has been considerable amounts of new capital put into the railroads as a whole, that capital has gone almost entirely into the relatively few large systems that are gilt-edged, and whose earnings are beyond question and beyond assault. But even that capital invested in those gilt-edged railroads has yielded no additional net revenue to the companies, and while the volume of capital has been very largely increased the net earnings during the past five years, without additional capital, has been less than they were before the capital was put in.

Now, then, under those circumstances it becomes practically impossible to float additional railroad securities, however they may be floated at the present time.

Senator MARTINE. Now, of course, you admit that perhaps it is very wise that they can not float additional capital. Many of them have been floated pretty fairly. Now, the trunk lines, you say, are well taken care of. Many of the minor roads have been exploited as stock speculation and pretty well floated with stock already and bonds, so, of course, they can not continue to get much worse.

Mr. DE BERARD. It is because of that condition that shippers, including the Merchants' Association, of New York, have hitherto been antagonistic to the railroads, because they resented that condition. But it is pretty well established now that the so-called water has been pretty thoroughly squeezed out of pretty nearly all of the railroads, and the fact remains that, speaking generally, the railroad business is not in a prosperous condition. The Interstate Commerce Commission has investigated the question pretty fully and certified in the very thorough proceedings in connection with the so-called 5 per cent advance cases that the revenues of the railroads as a whole were not sufficient. The result of that condition affords a reason why the shippers are here to-day in defense of the railroads' side of this case and in opposition to the Postmaster General's side of the case.

The traffic conditions in this country are now in a most deplorable state. The railroad facilities are not sufficient for the commerce. At this same moment there is not a shipper in the city of New York that is not suffering severe loss from the conditions of congestion, which, while there are a number of contributory causes, are due primarily to the fact that the railroads have not been able to command capital necessary to build additional trackage to their lines, to construct side lines required, and, above all, to reconstruct freight terminals in the principal cities. Right now in the city of New York the railroads

could invest at least \$100,000,000 to reorganize their terminal facilities, and because they can not do it the shippers in the city of New York are burdened with charges of about 10 per cent that could be abrogated.

What I have said has been directed to showing the reasons why the commercial bodies of this country, to the number of 55, covering 22 States, appear here by me to oppose the space-rate proposition, as directed against the proper revenues of the railroads; that if put into effect will deprive the railroads of the power to supply the shipping communities with the facilities they need.

The first of the resolutions that I have read is to the effect that the revenues of the railroads are insufficient. That statement is based upon the investigation made by the Interstate Commerce Commission, to which application was made by the railroads for the right to increase their freight rates by 5 per cent. A very few of the commercial bodies throughout the country appeared in opposition in that proceeding, not as to a raise, but as to specific raises on certain commodities. The commission granted raises which, as has been estimated, amounted to about 3 per cent on the freight revenues of the railroads. But in that finding they stated as a reason for refusing to grant the full 5 per cent that was asked, that while the revenues of the railroads as a whole were not as great as they should be in order to provide efficiency and provide a proper return upon capital, the deficiency in the revenues was due to the passenger service rather than to the freight service; and in view of the decision of the Supreme Court in the West Virginia cases it was necessary, in order to produce the revenues reasonably necessary for the support of the railroads, to revise their passenger charges.

On top of that comes the application of the Post Office Department to readjust the method of railway mail pay in a manner which they contend will be equitable, but which we contend—and which the railroads contend—will result in a very large loss of revenue to the railroads. There has been no dissent from the general proposition that the railroads in certain particulars have not been earning enough pay for railway mail carriage. The several commissions of Congress that have investigated that question have come to that conclusion. It is stated in detail in the report of the Bourne commission.

The essential facts as to the insufficiency of the railway mail revenues are about as follows: In 1909 the Post Office Department made a partial segregation of the operating expenses of the freight department of the railroad and of the several branches of the passenger service as a whole. The Post Office Department made computations intended to show the revenue per car mile derived from that investigation of the several branches of the passenger service. The entire accuracy of the computations are in dispute, but for the present purposes it may suffice to accept them. It was shown by that study that 64.67 cents of every dollar received by the railroads from all services combined was required to pay operating expenses and taxes, the remainder being available for interest, dividends, surplus, and similar charges. Whereas in the case of the passenger service the amount of each dollar received that is required to pay operating expenses and taxes was 72.88 cents. So it was shown by that investigation—and we contend that the difference between the two is greater

than shown by reason of certain items in dispute, the disposal of them by the Post Office Department being in dispute—there is a defect in the revenue afforded by the passenger service, or between 14 and 15 per cent below that afforded by the average of all the services. The several branches of the passenger service, namely, the carriage of passengers, the carriage of express matter, and the carriage of the mails, was likewise segregated with these figures, resulting—

Senator MARTINE (interposing). You failed to take into account in your calculations, it seems to me, the matter of passenger service. You say that it failed to be adequate or failed in revenue. You charge all those expenses up to the passenger service, but you realize, do you not, that every passenger who is induced to live out on the line of railroad becomes a contributor to your freight? If the families live there they have got to have coal transported, they have got to have general supplies, edibles, and household commodities, and that would all contribute in the way of freight, so it is hardly fair to say that a passenger fails to produce proper revenue when he is contributing to other branches of revenue of your road.

Mr. DE BERARD. That has been put forward from various proceedings and disposed of by Justice Hughes in the West Virginia case.

Senator MARTINE. That was in a legal way. I am not talking about the legal way. I am not a lawyer, and I know nothing about law.

Mr. DE BERARD. That would afford a very interesting subject of discussion, and I could expatiate upon it at some length, but it is hardly germane to this question.

Senator MARTINE. It is germane when you talk about the passenger failing to produce revenue. I say that the passenger produces revenue in an indirect way, if he remains upon the railroad, in the transportation of freight and general supplies.

Mr. DE BERARD. There are some economists who contend that it would benefit the railroads if they carried passenger traffic without any charge at all.

Senator MARTINE. I know there are some that advocate that idea. I live in a populous community, and we have thrashed that out a good many times.

Mr. DE BERARD. I am merely taking the figures as of record. The average earnings per car miles of the three branches of the passenger service, about the fiscal year 1909-10, were, as shown by the report of the Post Office Department in House Document No. 105: Passenger traffic, per car mile, 26.04 cents; express traffic, 22.647 cents; mail traffic, 20.22 cents; showing that the mail traffic earnings at that time were 22½ per cent deficient as compared with passenger traffic earnings and slightly over 20 per cent deficient as compared with the average earnings, during a period of five years of the entire passenger service, which average earnings the Interstate Commerce Commission found were below their proper level.

So we have this condition, that the earnings of the passenger traffic are as a whole between 14 and 15 per cent less, with relation to the gross earnings, than the earnings of all the services of the roads, which the Interstate Commerce Commission has certified as a whole are too low. And we find that the earnings of the mail branch of

the passenger service, already deficient 15 per cent, are somewhat more than 20 per cent less than the average of those deficient passenger earnings. Showing conclusively that the mail service at the present rates is not contributing to the gross earnings of the railroads anything near its proportionate share.

Senator VARDAMAN. The purpose of your statement, I take it, is that the Government should contribute more for the service to the railroads, for the service rendered the Government, in the interest of other shippers?

Mr. DE BERARD. That summarizes the whole thing in a nutshell. What I am doing now is showing the reasons, in brief, for that conclusion.

The proposition of the Moon bill is to substitute space for weight as a basis for computing the payments that should be to the railroads. The Moon bill assumes to increase the present payments to the railroads on the accepted ground that they are not now earning enough. Mr. Moon and Mr. Madden and others made the statement on the floor of the House in the debate on this bill that the payment to the railroads under the space plan would be increased by about \$4,000,000 during the current year, thereby contending that they were treating the railroads with generosity in raising their revenues to a fair basis. I think that statement is a wholly mistaken one. The Moon provision, if adopted, will not increase either the rate or the actual revenues of the railroads by one single cent. The railroads during the past three years have received an annual accretion through their payments, by reason of the increase in the volume and the weight of the mails, of about \$4,000,000 a year. That accretion will continue during the current year; so that on the 1st of July, 1916, the increase in the same ratio as has been established by the increase during the past three years will raise their pay between fifty-nine and sixty million dollars at the present rate—between sixty-three and sixty-four millions for the year beginning July 1, 1916. So that there is no change in the law whatever, the railroads on the present basis will receive as much payment as the Moon bill will provide for them, Mr. Moon, Mr. Madden, contending that that represents an increase. It does not represent any increase whatsoever.

The CHAIRMAN. Now let me ask you, Mr. De Berard, you are representing, as I understand it, and speaking for the associations, as these commercial bodies?

Mr. DE BERARD. Yes, sir.

The CHAIRMAN. And your contention—or rather their contention through you, if I understand the trend of your argument—that whatever amount the railroads carry the mails below the cost of that service must be added to some other service—that is, to the transportation of merchandise?

Mr. DE BERARD. That is one point I intend to make.

The CHAIRMAN. Isn't that about the only interest you have got in this business? That you want to protect your associations so that they will not be required to pay any more than they should properly pay, by reason of the fact that the others pay too little?

Mr. DE BERARD. That is one of our contentions, and that part of the contention rests upon a selfish ground, since we do not want to pay any more than we ought to pay. We contend that the rate which

the Moon bill grants to the Government is an excessively discriminatory rate.

The CHAIRMAN. That is exactly the point.

Senator VARDAMAN. Don't you realize that the stuff that is to be shipped by the parcel post—and that is the excess—comes from the people whom you represent here; that they would be the beneficiaries of it as much as the people who buy it?

Mr. DE BERARD. I do not think it is a very sound economic principle to force any service to be performed at less than a rate which will produce a fair compensation.

Senator VARDAMAN. I understand that, but if you are here to promote or subserve a selfish purpose, as you said a moment ago, that you did not want the people whom you represent here to make up the deficit caused by undercharging the Government. Now it occurs to me that the very people whom you represent here are the ones who are the beneficiaries of this cheap freight, through the parcel post.

Mr. DE BERARD. That would appear to be a fact, but there are a number of other reasons that completely dispose of it.

Senator VARDAMAN. I think economically that it is right that one side of the Government should not be forced to carry the burden that belongs rightly to somebody else.

Mr. DE BERARD. The Moon bill provides for space rates as a substitute for weight. The effect of the space rates will be to fix the compensation for the railroads in the year 1916, and that compensation as an aggregate will remain almost stationary for a number of years to follow. The reason for that is due to the fact that the space which will be at the disposal of the Government in the year 1916 will aggregate from two to three times the present volume of the mails, which will be placed therein without any increase whatever in the compensation. The rate that is proposed to be paid for space is based upon the computation which produces a car-mile rate. That car-mile rate, used as a basis by the Moon bill for determining the compensation, including the line charge and terminal charge, will be somewhat less than 24 cents. That is an entirely inadequate rate to enable the mail service to produce a revenue that is on a par with the revenue produced by all the services of the railroad as a whole, and would require a rate to be at least 28 cents, and probably in excess of 30 cents. So that the effect of the space proposition would be to fix the aggregate of railway mail-pay compensation for the year 1916; to make that aggregate prevail for a number of years to follow, and to underpay the railroads by approximately \$12,000,000 a year.

The proposed space rates will very seriously attack the existing freight revenues of the railroads.

The storage cars operated for the carriage of mails have a capacity, in the case of a 60-foot car, of 20 tons. The average lading of those cars at the present time is seven tons. Whatever mail matter in excess of seven tons is placed in that available space will be carried by the railroads without additional compensation, and when the car is loaded to its capacity of 20 tons, the ton-mile rate will be about 1½ cents. A very large proportion—in fact nearly all of the loading of storage cars—consists of commodities that, if not carried

by mail would be carried either by express or freight; and if carried by freight, in the case of first-class merchandise, that same rate would produce to the railroads a revenue of from three to four and a half cents per ton mile, and in some cases more than that. So that the effect of the operation of the mail service in that particular case would be to cut down the existing revenues which the railroads derive from that freight by converting the freight into parcel post and paying only one-third of the existing rate.

Mr. Moon and others, on behalf of the Post Office Department, have laid considerable stress upon the fact that the purpose of this space proposition is to enable the Post Office Department to extend its facilities, in order that it may induce a greater volume of shipments by parcel post. That increase in volume will be at the expense of the existing freight revenues, for the reason that it will be carried at one-third of the present rate, and will greatly divert shipments from freight at remunerative rates to the mail service at unremunerative rates.

The space rate has been spoken of—and, in fact, the main reason advanced by its advocates is that it will be an alleged scientific rate. So far from being a scientific rate, it will run contrary to all existing principles that govern the making of freight tariffs and rail transportation. It will provide that railroads carrying 100 pounds of mail a day shall be paid the same rate as shall be paid to railroads carrying 50,000 pounds a day. In the case of the larger railroads the effect will be to cut—enormously to cut their existing revenues by allowing them no benefit from the present system of graduated rates, which recognizes that large transactions should be carried on at less a rate.

Senator HARDWICK. Isn't the converse of that proposition true? If it will cut down the pay that the larger roads will get, that change from one system to another, will it increase the pay that the small roads will get over what they get now?

Mr. DE BERARD. That is a difficult question, and one that I am not prepared to answer with certainty. Undoubtedly it would in some cases, but in the case of the short-line roads the factors of difference are so numerous and so great that it would be impossible to tell off-hand.

Senator HARDWICK. Now, if that is true as a general proposition, which I just stated, it looks as though the converse ought to be true as a general proposition, although there might be exceptions to both propositions.

Mr. DE BERARD. It would altogether depend upon whether the revenues derived under the space rate by the short-haul lines was a fair rate.

In response to your last question, just a word further. While undoubtedly in the case of many of the short lines the pay on the space plan would be increased, where apartment space was taken and paid for in place of closed pouch space, the loss to the short lines would be many times greater than to the long lines, for the reason that in the case of the short lines in the remote districts the freight rates average very much higher, and consequently there would be a very much greater diversion.

Senator HARDWICK. Through the parcel post?

Mr. DE BERARD. Through the parcel post, with a correspondingly great decrease in their freight revenues.

Senator HARDWICK. So that while indirectly it would be true, the net result would be very injurious to them?

Mr. DE BERARD. That is the general fact. There are so many complex factors, however, that each line might show a somewhat different condition. But, speaking broadly, the effect would be harmful.

Now, Mr. Chairman, I will not undertake to elaborate further in detail upon this subject, but simply state that the conclusions of every one of the 55 commercial bodies, covering nearly all the principal cities of the United States, unite in the recommendation that this matter be referred to the Interstate Commerce Commission as a proper rate-making body, equipped to deal with so complex a question as this and to determine the rates, either directly or by reporting them to Congress for its action. Our resolutions favor the latter course, but I may say in that respect that the Merchants' Association in numerous instances, particularly in the State of New York, has contended for the exercise of the rate-making power, not only as relates to transportation, but in the case of other public utilities by the commissions created for the express purpose of determining what is fair between the public and the various companies concerned. And inasmuch as the Interstate Commerce Commission regulates the rates upon every other class of traffic, except that tendered by the United States, it should likewise regulate the latter in order that there may be no discrepancy between the principles and the results attendant upon two different classes of regulation. This would regulate mail traffic in a way that would be not only in-harmonious with the existing freight-rate structure but destructive of it and would involve likewise grave injustice to shippers that are compelled to use the freight services as a means of shipment and discrimination in favor of those that were able to use the Parcel Post Service at the much less rates which the Government would provide.

Mr. S. R. Clark, secretary of the municipal and convention bureau of the Philadelphia Chamber of Commerce, has been instructed by Mr. M. B. Kelly, general secretary of the Philadelphia Chamber of Commerce, to enter its protest against the Moon bill.

That concludes my statement, Mr. Chairman.

The CHAIRMAN. Are there any questions, gentlemen? If not, we will excuse you.

The CHAIRMAN. Now, there is a representative here from the Baltimore Chamber of Commerce—Mr. Herbert Sheridan—and we want to hear him. You may proceed, sir.

**STATEMENT OF MR. HERBERT SHERIDAN, TRAFFIC MANAGER
BALTIMORE CHAMBER OF COMMERCE, BALTIMORE, MD.**

Mr. SHERIDAN. Mr. Chairman, I am here with the knowledge and approval of my employers. I am very glad indeed to support the testimony given by Mr. De Berard, and at this time commend the activities of the Merchants' Association of New York in the preparation of their rather comprehensive report on the subject.

The National Industrial Traffic League is among those bodies supplying resolutions in behalf of the railroads being properly compensated for railway mail service. This National Industrial Traffic

League is an organization of shippers of about 350 members and it is distinctly representative of the shippers of the country. At their July meeting in Toledo I served on the committee of resolutions. Therefore I know the temper of that organization, and I am able to say that the resolutions there passed, without a dissenting vote, are representative of the sentiment of the shippers of the country, and that there is not anyone anywhere of any prominence that is not absolutely in favor of the railroads getting the full measure of pay to which they are properly entitled for hauling the mails.

The league also felt that, as a matter of course, if the railroads were not compensated properly for railway-mail service, that the shippers would be obliged to bear the burden by paying increased freight rates. Now, at some expense to my people and at some considerable inconvenience to myself, I have been very glad indeed to wait until this time to say a word calling the attention of the committee to that feature, that the shippers of this country without any question at all, are a unit in the belief that the railroads should be properly compensated for hauling the railway mails. Beyond that, its notable action—something brought out by Mr. de Bard, that almost all these organizations that have passed resolutions commend for consideration the services of the Interstate Commerce Commission, and when this committee takes into consideration the fact that that unusually capable and intelligent Government body is devoting its entire time to rate subjects, it will appear manifest that that is the particular body that should have supervision of rates for railway-mail pay.

Among the various members of the National Industrial Traffic is one of very fair size—some 2,000 members—known as the Grain Dealers' National Association. That is made up of grain merchants east and west, north and south, individual farms and shippers; so that, in speaking of the league I am also, in a way, speaking for that association of shippers. And I feel abundantly satisfied that if it were possible to have an inquiry made of that particular class of shippers—or any others—you would not find by careful search anyone anywhere who would not commend, first, the plan of proper compensation to the railroads for railway-mail service—and I believe with equal unanimity there would be a vote of approval for participation in the question, if not indeed control of the question by the Interstate Commerce Commission.

My experience in the past has been with railroads, in both traffic and operating departments to a limited extent, and now for some years I have been with commercial bodies. I am in very deep personal sympathy with the plan of the railroads being properly compensated for all services they perform, in the belief that the best interests of the country require that they should not only get a new dollar for an old dollar, but there should be such a margin of profit accruing to them that the best business interests of the country will be served by the proper margin of profit.

I think I have nothing further to say, unless you wish to ask me some questions.

The CHAIRMAN. Does any gentleman desire to ask Mr. Sheridan any questions?

Senator CATRON. The gist of your statement is that you are in favor of railroad companies getting proper compensation for carry-

ing the mail. Wherein are they not getting proper compensation, and wherein will they not get it if this bill prevails?

Mr. SHERIDAN. It seems to be a matter, Senator Catron, of controversy between the railroads and the postal authorities of the Government on the question of proper compensation.

Senator CATRON. Yes.

Mr. SHERIDAN. Without attempting to go into the technical question of comparative merits of space versus weight—

Senator CATRON (interposing). What I want to get at is what the shippers think about it.

Mr. SHERIDAN. The shippers—I do not know of any shippers anywhere that would favor the adoption of a space basis, because all of the experience that I am able to apply shows me that the space basis is not the proper one.

Senator CATRON. That is what I want to get at. Why would not the space basis be as proper as the weight-and-mileage basis?

Mr. SHERIDAN. The space basis seems to me too full of inconsistencies, and not comparable with the fixed and rigid and proper weight basis.

Senator MARTINE. Is not the fear of the shippers general—is it not a fact that they fear that if the railroad rates can not be increased, or the revenues from the mail, that their freights will be increased?

Mr. SHERIDAN. The conclusion of the shippers, Senator—some shippers who have considered the subject—their experience in shipping matters leads them to conclude that their freight rates will be increased if the railroads are not properly compensated for Railway Mail Service.

Senator MARTINE. Is that not the animus of their movement? It says here, I see in your magazine, National Machine Builders' Association, "Whereas any shortage in mail pay might in the end be made up by an increase of our freight and passenger rates." So that is the milk in the coconut, so far as you men are concerned?

Mr. SHERIDAN. Yes, sir. There is no animus, if you allow the correction, Senator.

Senator MARTINE. I do not mean to say a bitter animus. I mean the motive, the prompting.

Mr. SHERIDAN. I question, sir, whether there has been a time in the history of this country when shippers and railroads were so near an absolute unanimity of purpose and object; the railroads to supply the best obtainable service at the lowest consistent rate, and the public, in the main, being reasonable in asking nothing beyond that. But in connection with that I am satisfied that the public does desire that the railroads, for all service performed, should be properly compensated.

Senator MARTINE. I believe that is the disposition of the Government, that they should be properly compensated. The whole question resolves itself down to what policy shall be absolutely just as between the railroads and the whole public. That is all there is to it.

Mr. SHERIDAN. Yes, Senator Martine; and if you will allow me, I think that the shipping public generally, knowing of the expert advice and assistance of the Interstate Commerce Commission, would be entirely satisfied to place this subject in their hands, where, after

all, there has been an utter absence of criticism of the Postmaster General and his department. I do not know of any criticism in any direction.

Senator MARTINE. I do not believe there is any.

Mr. SHERIDAN. But we simply desire on the part of the shipping people to have proper rates applied, and only proper rates, and this whole thing taken out of the state of uncertainty into something certain, adequate, and proper.

Senator CATRON. They want to get some one who is disinterested, and they look upon the Postmaster General, to a certain extent, as an interested party.

Mr. SHERIDAN. Unavoidably; although his efforts might be very commendable, he would lack experience and would lack the knowledge of transportation subject, which necessarily the Interstate Commerce Commission has or could obtain.

Senator CATRON. And the great desire to make a success in his department, to make is a paying institution?

Mr. SHERIDAN. That, unfortunately, might impel him to impose a hardship which would not be of any real benefit to the country.

Senator CATRON. I do not think you answered my question a while ago as I wanted to get an answer from you. Now under this bill, is the rate of pay—if it is fixed under this bill—sufficiently adequate to be considered proper compensation for the railroads? That is, this is a space—the Moon part of it—now is there enough pay allowed there to properly compensate the railroads?

Mr. SHERIDAN. Senator Catron, I am unable to give an answer based on certain knowledge of the question, but in view of the fact that the railroads object to the space plan I would unhesitatingly follow their lead in this matter.

Senator CATRON. Of course, the railroad companies naturally want to get all they can—that is, inside of respectability and decency.

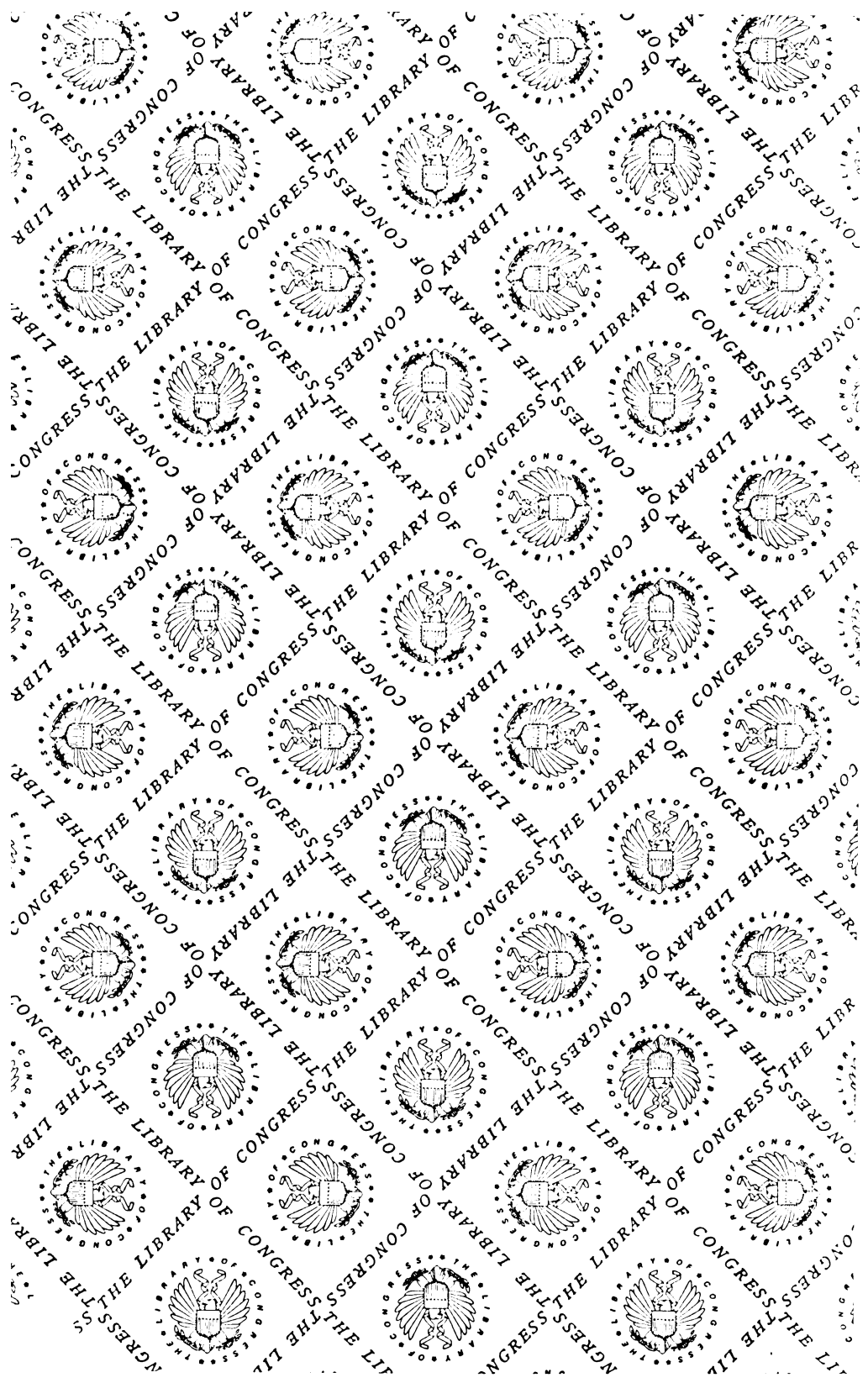
Mr. SHERIDAN. Yes, sir; but when they have done that, when they have got even all they can get, what do they at once do? They immediately disperse those funds for improved facilities and equipment for the benefit of the shipping and traveling public. Now we in Baltimore are at all times confronted with the fact that were it not for economy this and that terminal facility could be supplied.

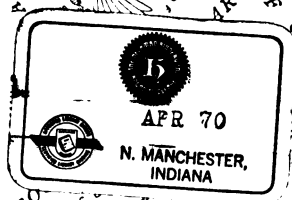
The CHAIRMAN. Is there anything further you desire to say, Mr. Sheridan?

Mr. SHERIDAN. I believe that is all, Mr. Chairman.

The CHAIRMAN. The committee will stand adjourned subject to the call of the chairman.

(Thereupon the committee adjourned.)





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